



BUSINESS TRANSFORMATION GUIDES

The Procurement Management Strategic Playbook

Understanding the critical role procurement plays in your business is just the first step towards transforming purchasing into a strategic asset designed to help your business scale better.

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How to Successfully Transform Sourcing and Purchasing in Your Organization [Step-By-Step]

The key to an effective procurement process is strong procurement management and automation.

If you're looking to [transform your organization](#), you don't need a complete operational overhaul.

Instead, you can see a drastic change by simply focusing on upgrading your manual procurement processes into automated processes with the right tools and systems.

Still, you'll need more than tools to [upgrade your purchasing and sourcing](#). That's why this guide will walk you through everything you need to get the edge in procurement management before showing you how to build better procurement

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processes that enhance your bottom line.

Be sure to read this guide all the way through.

Your potential ROI grows the deeper into the piece you go.

What Is Procurement Management?

Procurement management is the process of overseeing the procurement cycle to ensure that an organization can effectively secure the goods and services needed to make products or provide services of its own.

Any time an organization cannot fulfill a task independently and requires either goods or services from a third party, it needs procurement.

Effective procurement management ensures the sourcing and purchasing process flows smoothly, helping the business function with minimal waste or delay.

7 Components of Procurement Management

Effective procurement management is critical to ensuring a [lean procurement process](#). In fact, it facilitates a smooth procurement process from start to finish.

This includes these steps:

1. Monitor and approve purchase requests
2. Vendor management and negotiation
3. [Three-way match](#) and quality assurance
4. Invoicing and payment
5. Record keeping
6. Hiring new buyers and purchasing agents
7. Training employees on products

Each area of purchasing has its own workflow complexities and data to manage.

Effective procurement management means ensuring these processes run smoothly so the business can function without issue.



Challenges Procurement Management Faces

As a business grows, the procurement process becomes exponentially more complicated because of all the [additional workflows needed](#) to deliver on increasing customer expectations.

And this is where many businesses fail.

Sadly, many organizations overlook [the strategic importance](#) of their procurement process. Instead, they tend to view it from a cost-control perspective.

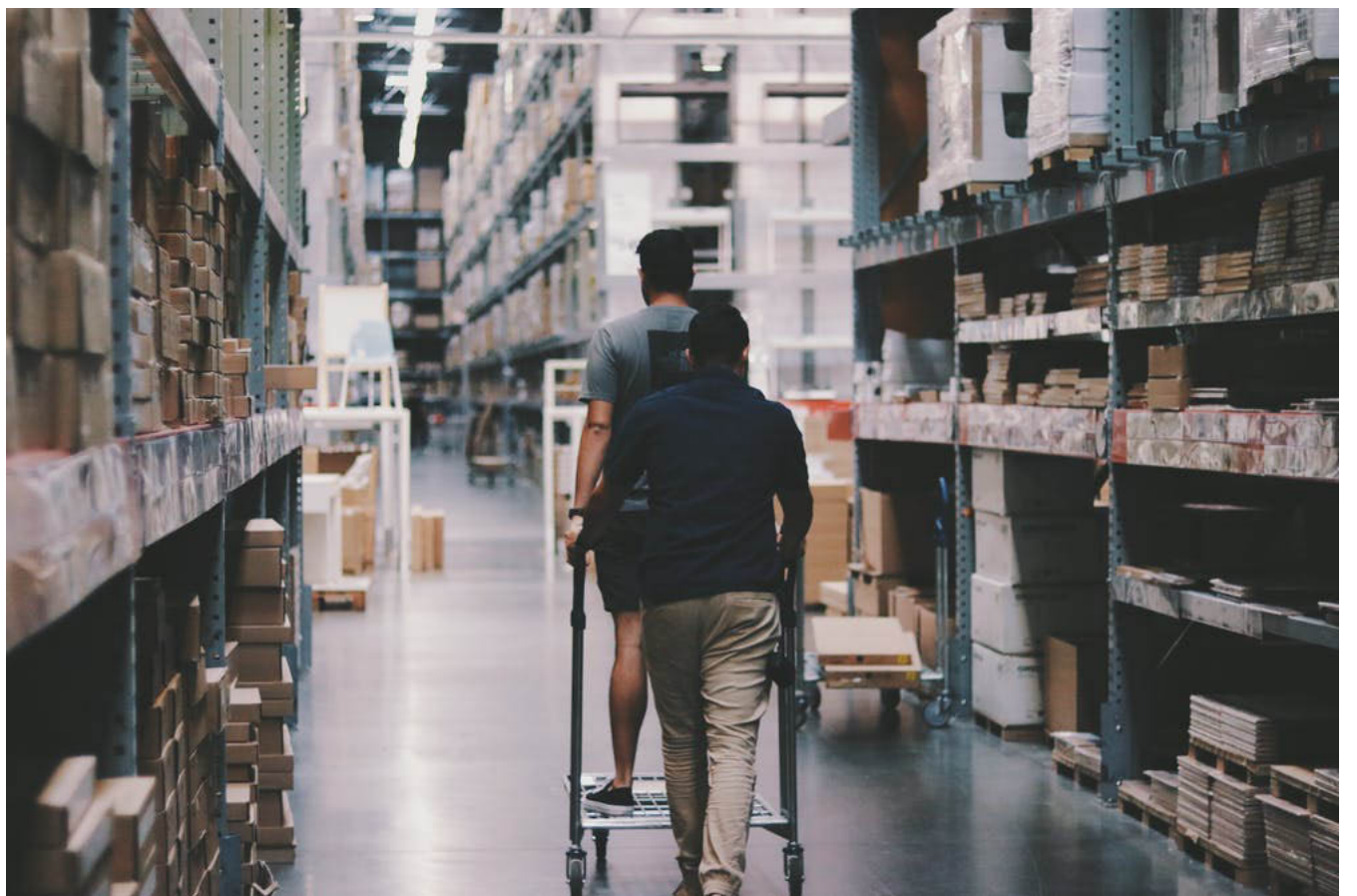
And that's **a short-sighted** approach.

After all, purchasing is a core function of the business. And learning how to leverage your procurement process properly can give you an advantage in the market

Many growing organizations still rely on [manual processes](#) to carry out purchasing and secure their supply chain. This is extremely problematic because procurement is often the most [time-consuming workflow](#) in an organization (and perhaps the most at risk.)

- **High processing costs:** Without automated procurement systems, more people are needed to ensure the procurement process runs smoothly, increasing labor costs.
- **Lost documents:** [Paper documents](#) and disorganized record collection can result in lost invoices, contracts, and purchase orders.
- **Data management:** The procurement process involves many data streams, but most organizations struggle with how to manage or use that data. As a result, [most of it goes unused](#).
- **Slow approval cycles:** Manual purchase approvals create bottlenecks. Procurement managers, analysts, and executives are often busy. And waiting for approval can drastically slow down the entire process.
- **Missed discount opportunities:** Without better insights into purchases, organizations miss out on bulk discounts, early payment discounts, and other potential savings.
- **Inefficient dispute resolutions:** Lacking a clear, centralized system for communication between vendors and staff means that issues can take much longer to get resolved.
- **Poor vendor management:** Tracking vendor relationships manually can make it difficult to properly vet new vendors while holding existing ones to higher standards.
- **Late payments:** Manually processing invoices often ends in late payments that create [additional, expensive fees](#).
- **Maverick spend:** Purchases made without approval can lead to waste, missed discounts, or additional unexpected expenses, [creating major issues for an organization](#)
- **Lost/stolen goods:** In organizations that struggle to fully track their purchasing and inventory, items can easily be lost or stolen.

Effective procurement management's goal is to minimize these challenges.



However, this can be difficult for organizations that don't have automated procurement processes in place.

There are too many workflows in place and too much data moving between systems to manually manage this process quickly and efficiently. In fact, when you get down to it, procurement often has too many pieces for any team to effectively manage manually.

That's why, of all the business workflows out there, [procurement is the most problematic](#) (and the most overlooked) by organizations. And improving the procurement process is seen as a necessary evil but also an incredibly challenging undertaking.

As a result, the mindset is to “kick the can down the road” until the problem comes too large to avoid.

And that's a HUGE mistake.

Effective Procurement Management: 8 Crucial Steps

Before we get into how organizations can improve systems, we need to discuss the right mindset for procurement management if you want to improve your supply chain workflows.

1. Establish Clear Parameters

Effective procurement management requires a strong plan that specifically lists the services and goods needed to meet company goals.

Goods and services should be connected to [your company's goals](#). This will help ensure all purchases fall into relevant, necessary categories.

2. Evaluate Suppliers

Organizations should leverage their position as the buyer to find vendors who can meet company standards and expectations within their budget. You should collect data on vendors and compare them, choosing the best suppliers. (Having this data is key if you want to have leverage for negotiations, which we'll talk about later.)

Evaluate the overall cost, delivery time, security of their supply chain, and adaptability along with their social and environmental responsibility.

3. Identify and Reduce Risks

Vendor delays, supply chain issues, overlooked scheduling conflicts, poor product or service delivery, and late deliveries are just a few of the risks you need to manage effectively. Overlooking any of these potential issues could cause you to miss deadlines and put your contract or business in jeopardy.

Effective procurement management mitigates risks to the business without producing excessive waste while ensuring that responses to potential issues are within established parameters.

4. Negotiate and Sign Contracts

Using the data gathered in your supplier evaluation, you should negotiate the best pricing for your organization.

Keep in mind inventory management, the scope of the work, and delivery timeframes, when negotiating pricing with your vendors. Look for opportunities to leverage your future partnership for additional discounts.

5. Delivery and Quality Assurance

You need to conduct a thorough inspection of the goods or services after the vendor completes their delivery or task. And you need to hold them accountable to the exact terms of their contract.

If your vendor fails to meet expectations, this data should be recorded in their official evaluation. Tracking vendor performance ensures you get the most out of future contracts.

6. Keep Accurate Records

Proper data storage is necessary to ensure that your organization avoids late fees on invoices, tracks spending accurately, and ensures vendors' performance remains consistent.

Paper record-keeping and unstructured data make effective data management impossible. Deploying automated systems for procurement management is a necessary solution.

7. Analysis and Reporting

Reflection is key to any management success, and that is no truer than in procurement. You need to [establish key performance indicators](#) (KPIs) when you establish your procurement goals.

And you need to evaluate the data from your procurement process to ensure you're meeting those goals. Look for inefficiencies in your procurement process, delays, overspending, and other red flags that signify the need for improvements.

8. Share Findings

Procurement is a strategic part of any organization. Leadership should understand the strengths and weaknesses of the procurement management process so they are better positioned to provide support.

In short, when your procurement process functions effectively, your whole business wins.



Procurement Best Practices (Top 5)

Supply chain disruption isn't a one-off instance. If anything, the pandemic only exposed the reality of how fragile supply chains are. Rather than looking at procurement through the lens of cost-containment and purchasing, you should view your supply chain strategically.

Risk assessment, comprehensive vendor comparisons, and better data insights should lead the way. To help kick start you in that direction, here are five best practices your organization should follow for procurement.

1. **Prioritize Transparency:** Your team members need to have the ability to see records, purchase orders, and technical specifications at any stage in their journey in real-time. Without a procurement system that provides that, your teams will remain in the dark.
2. **Optimize Inventory:** An often-overlooked area in the procurement process is not managing current inventory efficiently. Controlling spend and maintaining bottom lines while managing stock and intake can be a daunting challenge.
3. **Engage Suppliers:** Building a solid relationship with suppliers is vital to your organization's success. Essential product delivery and routine maintenance are key components to running a business strategically.
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5. **Digital Contract Management:** By moving the contract management process to the cloud, companies can minimize risk and maximize transparency. [The cloud allows](#) for a centralized and easily accessible system that can save your organization money while storing your procurement documents safely.
6. **Automate Procurement:** Without the human component in data entry, [costly errors](#) can be avoided. Employee satisfaction improves with streamlined workflows. And your organization can save money with strategic sourcing.

For more information, you should check out our [guide to procurement best practices](#). You'll find a detailed list of best practices your organization should follow to improve your procurement process with ease

6 Realistic Purchasing Goals (Other Than Cost Control)

The overall goal of the procurement process should be to keep goods and services moving into your organization so they can flow out of it. Keeping costs low is important, but not **the most important goal** if you want to transition your sourcing process into a strategic asset.

Beyond cost control, you need to establish specific goals to ensure your purchasing process keeps up with the constantly changing digital landscape.



Effective procurement management requires establishing purchasing goals and using them as a set of guardrails to follow.

1. Fulfill Corporate Responsibility

Corporate responsibility is not a new concept. And with the speed that information travels, a [business can ruin its reputation in a day](#) due to irresponsible sourcing.

People want ethical products and services from [environmentally conscious businesses](#). Fulfilling those expectations means having deeper transparency into your supply chain.

2. Seek Higher Quality

It's not always best to go with what's cheapest. Quality matters. Poor quality products can [increase organizational waste](#), expand delays, generate more complaints (from customers and employees).

For example, cheaper products or services that require frequent maintenance may lead to higher costs in the end even if the original goods or services seemed cheap.

Ultimately, the goal is to find a [balance between cost and quality](#) for the goods and services moving into your business.

3. Automate Procurement

The best way to improve your procurement process is to automate it. Most organizations are still stuck tracking shipments, evaluating purchases, and [processing invoices manually](#). These are time-consuming processes that

make it impossible to increase procurement efficiency.

As most businesses and their systems move into the cloud, your organization needs to keep pace. The solution is the right procurement software solutions and integrations to automate the entire process.

4. Establish Strategic Vendor Relationships

Without clear insights into your procurement process, you won't be able to leverage your organizational needs and vendor performance to improve your procurement process.

It's also important to work with vendors who can deliver high-quality products on time, consistently. Without that consistency, your bottom line and customer relationships will suffer.

Having clear data insights is critical to find out which vendors can support your needs and company goals. Once you identify those reliable vendors, you can establish long-term relationships with them that benefit all parties involved.

5. Build Real-Time Reporting

Effective dashboarding is critical to help make data interpretation easier. You also need a system that collects data from disparate sources and translates that information into actionable insights.

This makes managing your sourcing process easier as you'll get real-time insights into your supply chain. You can mitigate risks, adjust inventory, and [leverage real-world events](#) to give your business the edge.

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6. Secure Procurement

If your organization relies on email and excel sheets to track procurement data, there's simply no way to maintain a secure supply chain. [Excel sheets are not secure](#) (anyone with a key can access them.) And email can expose sensitive information.

Instead, you need to transition your entire procurement process to a secure system. Otherwise, you will always be at greater risk.

Creating a Procurement Management Plan

A procurement management plan establishes the criteria for fulfilling any purchasing requirements for a specific project.

And it should cover everything: purchasing guidelines, budgets, document drafting, contracts, vendor management, risk management, procedures to follow.

Start when the expected deadline and work your way backward. Figure out which tasks you can control the deadline on and which rely on vendors or other forces. Map these milestones out with expected deadlines.

4. Contact Vendors

Whether you rely on existing vendors, new ones, or a mix of both depends on whether or not they can meet your project needs and deadlines. Reach out to them and see if they can deliver on the project needs.

5. Price the Project

Issue [Requests For Proposals](#) (RFPs) from your vendors and determines the overall cost of the project and whether or not it's within budget. If not, you'll need to research new vendors or reevaluate the scope of the project to keep it within budget.

6. Establish Payment Guidelines

Will you be paying based on fixed prices or cost reimbursement? You'll need to take into account hourly rates, material costs, and any additional costs to complete the project.

7. Conduct Risk Management

You cannot avoid risk. The goal of effective procurement management is to find potential risks and design ways to mitigate or avoid them.

8. Establish Workflows

You need to establish clear guidelines for how your team will provide support during the project. Define the review and approval process, so that any changes can be quickly approved.

And you need to establish how your team approves deliverables and milestones toward project completion.

9. Assign Vendor Management

Draft up guidelines for how your team will work with vendors. They'll need to know how to communicate, provide quality assurance, and what the established expectations are for the contracts.

They should also know how to process invoices and approve timesheets regularly. This way, vendors can be paid on time while ensuring your project stays within budget.

10. Finalize the Plan

Once you approve your vendors, verify delivery times, and sign the contacts, revisit your schedule and update the timeline with the finalized dates.

Review the established guidelines and look for potential bottlenecks, weak points, or oversights. This will help reduce the potential for slowdowns during the project.



How to Negotiate Procurement [In 7 Steps]

Negotiating with your contractors and vendors is not a zero-sum game when done correctly. Instead, with a solid understanding of expectations, both the vendor and the buyer can win.

However, negotiating with vendors can be tricky. After all, you want to make sure to approach the situation properly otherwise you may walk away questioning the final outcome.

Follow this approach to negotiate your procurement strategy effectively:

1. Do Your Research

Before you start negotiating with your prospective vendor, you need to know your organizational needs and goals. You also need to know the strengths and weaknesses of your prospective vendors. This is where having an [automated vendor management system](#) gives you the edge.

With clear vendor data insights and reporting, you can review past performance and compare prices. And you'll have the data on hand to help facilitate your negotiations.

2. Ignore Your Ego

Before starting any negotiation, it's important to leave your ego at the door. The negotiation is not about you. It's about what's best for your business.

3. Set Realistic Expectations

You should know what the best and worst-case scenarios are for the negotiation before you start the process. This will help you better analyze how the negotiation is going.

4. Listen to the Vendor

Don't come to the negotiation with your mind already made up. Let the potential vendor explain their terms and the reasoning behind their prices and delivery expectations. If there's something you don't understand or agree with, let the vendor explain.

This will help you build a strong foundation of trust for a lasting relationship. Plus, it can help put your expectations into perspective.

5. Be Aware of Ploys

No one likes [negotiation ploys](#). And no one likes to feel taken advantage of either. The goal in a vendor negotiation should never be to take advantage of the other party. That's no foundation for lasting success. In fact, it can put your business at risk.

Still, you should be prepared for the types of ploys that exist so you don't fall victim to them. Recognizing them can keep you on track to get the best result for your business while weaning out vendors that aren't fit partners.

6. Offer Value

[Investopedia](#) defines [negotiation](#) as, "a strategic discussion that resolves an issue in a way that both parties find acceptable." This means you need to come to the table with something of value for your vendor as well.

Think beyond paying invoices. Business is about building lasting relationships between both parties. Understand your vendors' needs and see how you can fulfill them.

7. Remain Confident

You have options. But you also have a very large bargaining chip, the procurement needs of your business. If you've done your research and you know your goals, the vendor negotiation should be a straightforward process with a mutually desired outcome.

Follow the rest of these steps and work through the finer details and you should arrive at an agreement in no time.



10 Critical Procurement Mistakes to Avoid

Managing the procurement process isn't easy. With so many workflows and processes, it's easy to overlook items.

Sometimes, these mistakes are minor and quickly fixed. Other times, they can damage your bottom line, impact your employees, and put the future of your business at risk.

Here are the big mistakes you **need** to avoid:

1. Not Setting Up Procurement Policies

Without clear guidelines in place, you're setting your business and employees up for failure. Establish procurement policies to minimize disruptions and prevent bottlenecks.

Your procurement policies need to be aligned with your company goals. And you need to review them regularly to ensure their effectiveness.

2. Rushing Procurement

While it's important to have the capacity to act quickly, you do not want to make a major purchasing decision without analyzing the market and your vendors.

Rushing purchases can lead to missing out on bulk discounts or finding high-quality products from cheaper vendors.

3. Not Negotiating

Don't accept quoted prices without negotiating first. The first offer usually isn't the best offer. And even if the price can't come down, there are other ways to get more out of a deal.

Try securing faster delivery, better quality products, or higher standards. The goal is to set the foundation for a lasting relationship that benefits both parties.

Even if your vendor doesn't budge at all, taking the time to analyze the contract and negotiate will help you better understand what you're getting.

That includes potentially finding hidden fees or other charges you might not have been aware of had you rushed to say, "yes."

4. Not Thinking Holistically

EVERYTHING is connected in a business. To ensure your purchasing doesn't miss the mark, you need to think about how working with a vendor will impact all departments in your business.

You want to be certain that certain vendors and arrangements will help your business reach its goals as a whole. And you want to avoid putting any department at a disadvantage.

5. Being Slow to Adapt

The digital marketplace is always changing. Supply chains can rapidly shift overnight, and your business can be left scrambling to keep your inventory stocked.

An agile procurement process requires the right software that helps you interpret data and make changes in real-time.

6. Letting Supplier Relationships Weaken

Your suppliers are a vital part of your business. As a partner, if you succeed, they do too. And it goes both ways. If your vendors have new products, deals, or pricing, you should benefit as well.

Keep track of your vendors and maintain regular, clear communication. That way, when something changes that can benefit your business, they'll readily let you know.

7. Going Over Budget

Overspending on procurement can have dire consequences across your organization. Often, it's [not intentional](#). Procurement management processes that use manual invoicing and track data in spreadsheets are more susceptible to miscommunication, maverick spending, double orders, late fees, and other problems that can radically drive up costs.

Without clear insights into your actual spend in real-time, you're left with guesswork that can force money out of over departments (including payroll) and leave you looking for emergency loans.

The solution is to use [purchasing software](#) to track your spending so you can have clear, real-time insights into what your actual spending is. That way you can stay within budget.

8. Overthinking Procurement Solutions

You're not the first business to face challenges when it comes to procurement. Luckily, there are plenty of solutions out there. You don't need to build a completely custom procurement solution from scratch.

Instead, you have options. You can leverage existing off-the-shelf solutions. Or, you can use [low code platforms](#) to build lean applications that connect your procurement processes.

Either way, overhauling your procurement process from a disconnected series of manual processes into an automated, interconnected system is probably much easier than you think.

9. Ignoring Security Risks

Email, spreadsheets, improperly vetting applications are just a few actions that put your business at risk. Manual procurement processes are a huge cybersecurity risk.

They create several weak points that can allow hackers to gain unauthorized access to vital information. That can put your business and your [whole supply chain at risk](#).

Instead, you need secure systems that can keep your data protected while ensuring everyone that needs access has it. Upgrading to procurement software solutions (instead of manual ones) can be a quick and easy way to help further secure the data in your organization.

10. Not Automating Procurement

Most purchasing processes can be automated. There is plenty of software solutions out there that you can use to streamline your workflows.

If you're still filling out invoices, tracking shipments, and storing documents manually, you're wasting time while putting your business at unnecessary risk.

Automating your procurement takes much of the stress and headache out of managing the process. Plus, everyone wins.

You can drastically reduce the time it takes to process invoices, keeping your vendors happy. You'll need to hire fewer employees to carry out tasks. And the tasks they do work on won't be monotonous data-entry tasks that [drive them to burnout](#).

You'll also get clear insights into your data. That means you'll be able to reduce maverick spending, theft, late invoices. And you'll be able to take advantage of discounts. Finally, you'll have better insights into your supply chain and vendor performance.

All without having to work harder or hire more employees. With procurement automation, you give your business the edge and your employees more time to focus on what really matters.



Managing Sustainable and Ethical Procurement

Customers expect ethical and sustainable business practices. And your organization's corporate social responsibility needs to meet or exceed those expectations.

To manage procurement effectively, you need to take advantage of ethical and sustainable procurement practices. Not only can this help improve your brand's image, but it can also reduce costs.

There are some easy-to-navigate procurement concerns: avoiding businesses that use [unethical practices](#) like child labor or underpaid workers. And there are more challenging sourcing concerns: avoiding cheaper vendors that don't follow renewable practices or negatively impact the economies of the countries where they're located.

This can become especially difficult when you move past your main suppliers and [take a deeper look](#) into the supply chain.

While larger organizations can pledge sustainable, ethical practices, that doesn't mean that the companies your vendors work with will follow the same guidelines.

The key to finding and avoiding these types of vendors is to have clear insight into your supply chain. In other words, you need to establish a vetted supply network.

With clear insights into your vendors, their impact on the environment, and the countries they work in, you'll be able to choose the right kinds of suppliers that support your overall business goals.

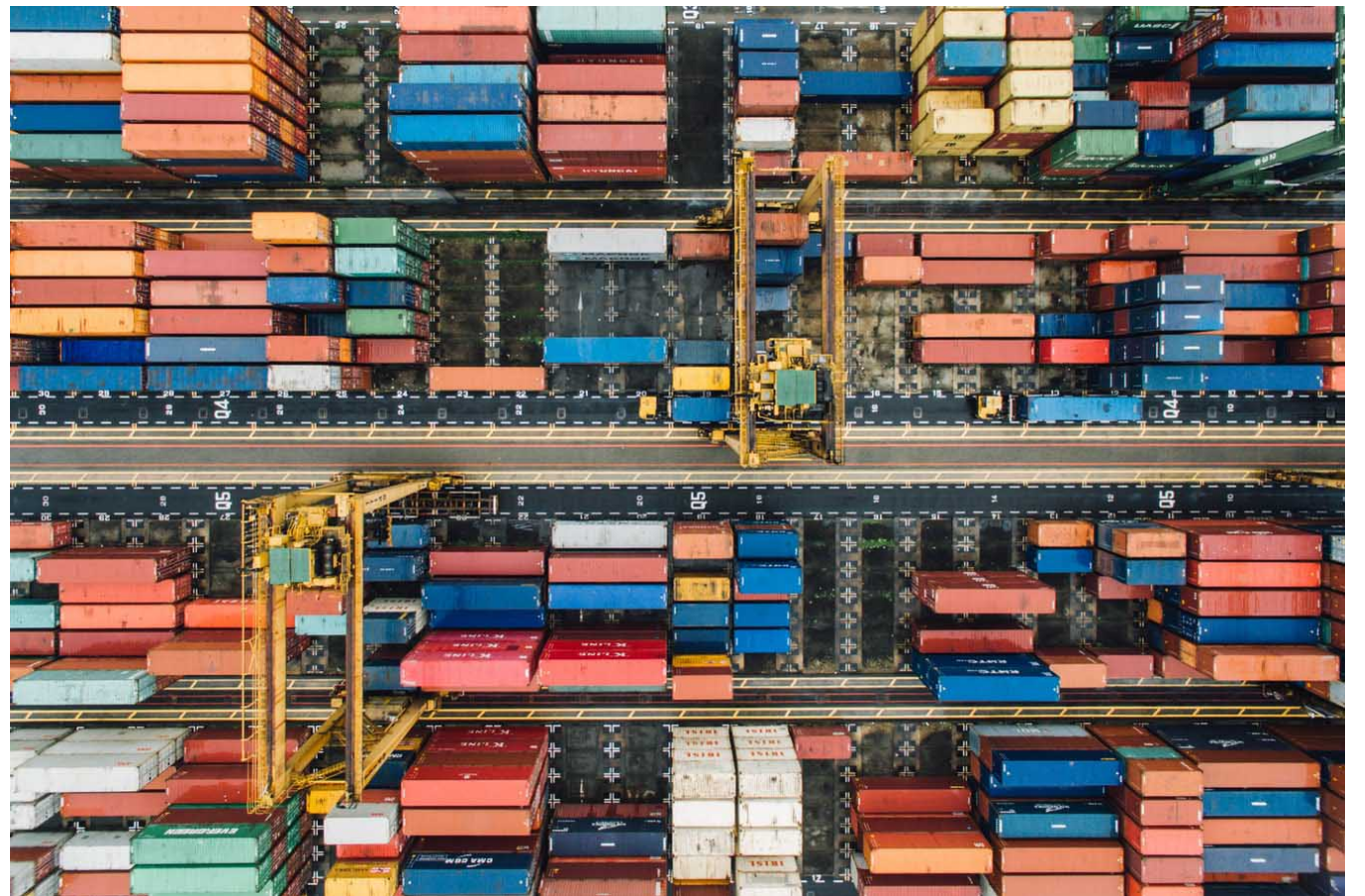
While it takes a bit more work at the start, your customers will thank you in their praise and with [their continued patronage](#).

How to Automate Sourcing with E-Procurement

E-procurement moves procurement online. In short, it's the buying and selling of goods and services over the internet using procurement software. And it functions as the foundation for fully automating your sourcing process.

With e-procurement, you avoid the problems found in manual procurement while positioning your business to take advantage of all the benefits procurement automation offers.

As a result, you'll get faster order and invoice processing, automated inventory management, and a clearer view of your supply chain.



There is a range of e-procurement software suites out there for growing businesses looking to transition to e-procurement. Most of these applications have features like:

- Document, risk, and vendor management
- Inventory tracking
- Budget tracking
- Policy compliance
- System integrations
- Data dashboarding and business intelligence
- Workflow approvals and automations

If you've already followed the steps in this post on how to establish a strong foundation for procurement management, then transitioning to e-procurement will be a lot easier. You already know the benefits of procurement automation. And you have clear documentation in place for procurement practices.

The next steps involve vetting and deploying procurement software solutions.

Here's what you need to discuss with leadership and your team before transitioning to any e-procurement solution:

Research Potential Solutions

It starts with research. There are a lot of e-procurement systems out there that can help make procurement management much easier. But, they're not all right for your business.

You'll need to choose between custom software and off-the-shelf solutions. (Don't shy away from [custom software](#) as it can often be better for your business and more affordable than you'd think.)

You should focus on the specific features each platform offers and whether or not those align with your procurement and business goals.

Pay close attention to startup, maintenance, and any other fees that you may need to pay. This will give you a more accurate picture of how much deploying an e-procurement solution will cost.

Don't forget to check out reviews. You want to pay attention to how easy the platform is to use, what customer support is like, and how effective it is at addressing specific procurement issues.

For more details on the best e-procurement tools out there, [review this post](#).

Evaluate Budget

Once you've researched your procurement solutions, you need to look at your budget. Most e-procurement platforms require an initial upfront investment. However, they pay out dividends over time in the time and money they save your business.

Try to calculate the total cost of your manual procurement process and compare that to the cost of deploying and maintaining an e-procurement system. You should quickly see how long it will take to earn a return on your investment.

Design a Roadmap for Deployment

Figuring out how you'll deploy your e-procurement solution is crucial to avoid any disruptions in your supply chain. You'll want to do this in a way that results in minimal downtime so that your business can continue to operate.

Ideally, you'll want to transition to a new system in a way that doesn't slow down the business at all. But, this type of transition requires a lot of experience in deploying e-procurement systems.

As a result, you're better off working with a procurement specialist if you're very concerned about any type of supply chain disruptions during the transition.



Be Prepared for Change Management

[Managing employee onboarding and adoption](#) can be just as challenging as managing the deployment of a new system.

You need to make sure that you set up a schedule to train your employees on the new system. And you need to manage expectations and provide support so that they accept the new platforms. This way, you'll get the most out of your investment.

Test, Deploy, and Analyze

Once you have the framework into place and you have clear expectations, you're ready to test, deploy, and analyze your new e-procurement platform. You need to be sure your system, automations, and integrations are all functioning properly. This will involve troubleshooting and problem-solving. And it can be a tedious and stressful process.

You also need to analyze your performance to ensure your new system is on track to help you see a return on your investment. You should compare performance to your KPIs. And you should evaluate the strengths and weaknesses of your e-procurement system.

Working with a procurement specialist can make this process a lot easier. Most business owners, analysts, and procurement managers don't have the time to set up new systems and ensure they're functioning properly.

Procurement specialists take over this process and ensure a smooth transition to any e-procurement platform, putting your organization in the best position to maximize its return.

Procurement Processes to Automate

While the benefits of procurement process automation are clear, what you should automate and where to begin often aren't.

After all, your goal with transforming your procurement process and making management easier needs a strategic approach.

Which areas of procurement should you automate? And in what order?

Read on to learn more.

Request for Proposals Processing (RFPs)

Strategic sourcing software (otherwise known as RFP management software) uses AI, machine learning, and natural language processing to automate proposal processing.

RFP automation allows you to:

- Centralize potential vendor data
- Create and reuse dynamic templates
- Design vendor profiles for performance tracking
- Communicate with vendors
- Design pricing tables

Overall, RFP automation speeds up the overall proposal process, allowing organizations to [process 43% more RFPs per year](#).

Payment Reconciliation

With automated bank and sales reconciliation, you'll give your team more time to focus on strategic initiatives rather than processing each transaction manually.

Reconciliation automation compares your accounting against your payments, ensuring they match. As a result, you secure your cash flow with ease.

Accounts Payable

[AP Automation](#) allows you to automate invoice processes using machine learning and artificial intelligence. AP Automation platforms streamline everything from invoice coding to purchase orders and three-way matching.

As a result, you can effectively manage most of the AP process without direct human interaction.

AP platforms capture invoice data in a digital format and store it in an accessible, centralized database. They use technologies like [optical character recognition](#), [intelligent document processing](#), and [fuzzy logic](#) to capture unstructured data and translate it into values that can move seamlessly between your procurement systems.



Invoicing

While technically under the scope of AP automation, invoice automation is a complex process and can be an entire area of its own.

In short, invoice automation pulls invoice data into the accounts payable system where it can be processed.

Invoice automation platforms handle:

- Price matching
- Approvals
- Data entry
- Purchase order management
- Invoice processing

By automating invoicing, you can [reduce late fees](#), get early payment discounts, and keep your vendors happy with on-time payments. You'll also avoid double payments and late payments with ease.

Plus, you'll have clear, accurate insights into real-time budgeting. That way, you keep from going over budget.

Inventory Management

Managing inventory manually can lead to incidents of waste, theft, and lost items. Every item you have sitting in your warehouse [costs you money to store and replace](#). Automating inventory management reduces the cost of maintaining your inventory.

Automated Inventory management automates the following:

- Inventory tracking across multiple warehouses and channels
- Providing real-time inventory data
- Purchase order processing
- Customer order fulfillment
- Inventory management

Vendor Management

Every business works with a range of vendors. Automated vendor management platforms allow you to track vendor performance and score your partners. That information is kept in a profile that your procurement team can easily review.

Whether you're just starting a relationship with a new vendor or maintaining an existing one, automating vendor management allows you to establish clear lines of communication while reinforcing all aspects of your vendor relationships.

Vendor management systems automate the following:

- Vendor applicant tracking and screening
- Vendor self-service (updating profile data, sharing purchase information, submitting invoices, and more)
- Purchase orders, requisitions, and invoicing
- Credentialing vendors
- Comprehensive reporting and analysis
- Vendor relationship management

Contract Management

Contracts are vital to securing your supply chain, and contract management automation takes the headache out of reinforcing them.

With a single platform for contract management, you'll have all your contracts and templates stored in one accessible location. This gives you more visibility into your supply chain and leverage to secure better deals.

Contract management platforms automate:

- Contract drafting
- Negotiations
- Approval Workflows
- E-Signatures
- Deadline notifications
- Account alerts

With a streamlined contract management platform, you can stay compliant while getting the data you need to analyze your workflows. Those insights can help you make further improvements, further increasing your procurement management efficiency.

Approval Processing

Relying on managers to manually approve purchases can be a tiresome task that [creates unnecessary bottlenecks](#).

Automated approval processing platforms allow you to set up parameters for approvals. As long as requests meet those requirements, they're automatically approved. If not, they're sent to management for approval.

With approved processing platforms, you can establish clear parameters and guidelines easily. Plus, you can track purchases, reducing maverick spending, and ensuring your organization stays within budget.

These platforms also collect digital signatures, speeding up approval. Finally, they can be set up to automatically notify all parties involved, improving communication.

Document/Record Management

As mentioned earlier, [advanced procurement technologies](#) such as intelligent document processing and optical character recognition make it easier to track structured and unstructured data across multiple platforms.

With clear integration and automation in your record management, you can quickly find and share information in a secure way.

Automated Records Management helps a business transition to a paperless environment for faster, more accurate data processing. This has a host of benefits for an organization: ensuring compliance, streamlining operations, and providing more accurate data.



Benefits of Procurement Automation

There are numerous benefits to trading out your manual procurement processes with automated systems. To help inspire you, here are some of the ways an automated procurement process can benefit your business:

- **Clear Data Dashboarding:** Automated procurement connects all the various components of your procurement process into a single, easy to interpret data dashboard.
- **More Actionable Data:** With connected systems, you'll gain access to real-time data to make actionable insights.
- **Superior Cash Forecasting:** With better purchasing data, you can avoid cash shortages, get better cash in/cash out estimates, and take advantage of potential cash surpluses.

- **Comprehensive Cash Management:** Provide more business stability with stable asset management and a clearer picture of the cost of sourcing for your organization.
- **Accurate Job Costing:** Reduce manufacturing costs and get a more accurate picture of what projects cost with detailed labor, overhead, materials, and other indirect/direct costs.
- **Detailed Cash Analysis:** Get a more accurate understanding of cash flows into/out of your business, and see how your business spends money on sourcing.
- **Improved Spend Visibility:** Track purchasing across your entire organization clearly to ensure departments and employees stay within budget.
- **Better Budgeting:** Get better insights into spending with one single source of data to easily stay within budget.
- **Quicker Approvals:** Automate purchasing approvals that meet certain requirements and that are under set budgets to speed up sourcing.
- **Easy Contract Management:** Increase supplier accountability with easy access to established standards, ensuring vendors deliver consistent results.
- **Superior Document Management:** Move past a hodgepodge collection of paper documents and track POs, Invoices, [RFIs](#), [RFPs](#), [RFQs](#), and other important documents with ease.
- **Improved Vendor Relationships:** Communicate with all your vendors through a single platform and get notifications that prevent threads from being overlooked.
- **Increased Efficiency:** Remove manual data entry tasks and other menial tasks with software applications that [automate monotonous processes](#).
- **Better Invoicing:** Pay invoices faster, eliminate late fees, and take advantage of early payment discounts.
- **Exceptional Cost Savings:** Eliminate unnecessary fees, maverick spending, theft, and overstocking in your warehouses while taking advantage of bulk discounts and reducing fees with consolidated orders.
- **Stay Compliant:** With better supply chain visibility and purchasing oversight, you can check to ensure orders are in alignment with company guidelines and your procurement policies.
- **Mitigate Risks:** Be ready to quickly adapt to scenarios that may impact your supply chain: political changes, new laws, force majeure, and any other event that may cause a supply chain disruption.
- **Secure Data:** Move past email and [spreadsheets](#) and keep your data encrypted within a secure platform.

All of these benefits add up and change how your organization views procurement. Moving away from a cost-management-only approach, your organization will start to view purchasing as a strategic asset to future business growth.

In the end, you can expect to see more collaboration at every level in your organization.



Procurement Automation Weaknesses

While e-procurement is full of benefits for your business, it's important to note that it does come with some downsides. Luckily, these can be mitigated with the right approach to automating your procurement process.

1. Change Management Can Be Challenging

Employees often struggle with onboarding new systems or learning new systems. Even though the old way of doing things is tedious and painful, it is familiar. Learning a new platform takes time.

And if the new system isn't easy to use, [employees can revert](#) to the older, more inefficient processes.

The solution is to work with a vendor that has experience helping organizations onboard new systems. With [the right training and support](#), your staff can learn how to use new platforms quickly and easily, ensuring your investment yields a solid return.

2. Integration Issues

Depending on the platform you choose and the existing systems and tools used in your business, there may be integration issues between disparate systems.

This can create major slowdowns and force you to rely on manual processes even though you're trying to move away from them.

Working with an [integrations specialist](#), you can connect disparate systems with ease. An integrations specialist will ensure that your data moves smoothly between your procurement systems, eliminating the need to rely on manual processes.

3. Cost

E-procurement systems require an upfront investment. This initial cost can deter some organizations. You have two options: off-the-shelf solutions and custom procurement automation systems. What works best for your organization depends on what your needs are.

The mistake here is to think that the old way of doing business is cheaper. In fact, managing your procurement manually will cost you more in the long run. The hesitation that most organizations have is that they don't know if the investment will pay off over time.

Luckily, there's an easy way to reduce the costs involved in creating a custom procurement automation system. [Low code](#) and other rapid application development platforms allow users to automate systems using a drag and drop interface.

The end result is custom application development without the custom application cost.



Conducting Periodic Procurement Assessments

No matter how custom your solution is or how perfect it seems at launch, improvements are always needed. New platforms with new features are launched all the time. And to thrive in any digital environment, you need to be as agile and reflective as possible.

Plus, your customers have changing demands and expectations. You have to be ready to adapt your business to their needs and your procurement process needs to be ready to follow.

Over time, you'll notice that your procurement process has strengths and weaknesses. You'll need to evaluate those weaknesses and see where improvements can be made.

Should you work with new suppliers? Do you need to improve your procurement plan? Do you need to onboard new systems and integrate them into your existing procurement workflow to exceed customer expectations while meeting business goals?

Luckily, automating your procurement process gives you more time for the high-level, strategic thinking necessary to evaluate your supply chain performance and continue to improve your sourcing.

With sourcing automation in place and sound purchase management strategies, you can dominate your competition.

The Ultimate Goal: Establishing Strategic Procurement

[Strategic procurement](#) sets itself apart from traditional procurement in that it focuses on how to leverage the entire procurement process to give a business the edge over competitors.

This can only be achieved by automating the procurement process and positioning it as a core foundation of future business success.



By transforming your procurement process into an integrated system, you will allow for deeper insights.

Cost-cutting happens, but it is a by-product of better data applications. Menial tasks are eliminated, [saving a business time and money](#) while keeping it secure. And the supply chain transforms into an extension of the business, giving it the power to weather storms and surpass competitors.

How to Further Optimize Procurement Management [Next Steps]

The procurement process is a dynamic, complex web of systems that overlaps. Management can be challenging. And deploying improvements can feel confusing.

After all, if it were easy, then most businesses would have moved beyond manual procurement processing. Instead, they often stick with spreadsheets, paper forms, and a nightmare of complexity that keeps managers and owners tied to their business.

Luckily, there's **a much *easier* solution**.

At Quandary Consulting Group, we excel at leveraging the power of low code platforms and rapid application development to build custom solutions for growing businesses (without the custom cost).

And with [a 100 percent adoption rate](#), our results speak for themselves.

Curious? [Learn about our process](#) and how we help growing organizations streamline their procurement process with custom applications and integrations.