

# AUTOMATION POTENTIAL IN: PURCHASE REQUISITIONS

## REQUISITIONS

COLLATE INFORMATION

ENSURE PROCEDURE IS FOLLOWED

APPROVE PURCHASES

SEND OUT, COLLATE AND COMPARE RFQS

POPULATE AND SEND OUT PURCHASE ORDER

CONDUCT THREE WAY MATCHING

### AUTOMATION OPPORTUNITY

HIGH

MEDIUM

LOW

A purchase requisition is an internal document sent from employees to a central procurement department, who help to find/vet suppliers and oversee the ordering process. The purchase requisition acts as a control tool to ensure full scrutiny of requests before payment is made. It starts a paper trail which holds everyone accountable. Despite this, Purchase Requisitions are often seen unnecessary red tape and where this process may be slow to process internally, a number of problems can arise:

**Uncontrolled Purchasing:** A slow purchasing system may be seen as a barrier to business-as-usual and circumvented. Such uncontrolled spending can ultimately be expensive for businesses. When items purchased cannot be justified using capital outlay or material inventory, the resulting loss of revenue and control is a significant challenge for organisations of all sizes to tackle. Furthermore, procurement fraud is much more common than you might think.

Poor communication between departments and lack of documentation can easily make any business susceptible to fraud.

**Urgent Purchases:** Many products/services are procured at the last minute but this can actually result in longer lead times in the procurement cycle as other purchases are put on hold. Urgent purchases often mean that robust due diligence on new suppliers cannot take place. It's increasingly important to ensure that suppliers adhere to corporate standards and norms for ethical behaviour and sustainability, without proper vetting and verification of required standards/policies, the wrong suppliers may get work which can cause issues further down the line.

**Strategy Lost:** Where the purchasing process is seen as a "hoop to jump through" the true impact that key suppliers can have on your business may be lost. As the procurement process continues to become more strategic and collaborative, organisations are starting to realise the benefits of having a solid procurement strategy in place. However, understanding the strategic implications of every step and figuring out a way to implement it across all functional units of business is a distinct challenge.

There are strong opportunities throughout the Purchasing lifecycle to automate aspects of the process and in doing so remove bottlenecks, ensure compliance and keep all stakeholders informed.

# PURCHASE REQUISITIONS

**Collating information:** One use case that applies to nearly every industry and every job role is gathering information. Technologies like RPA (Robotic Process Automation) operate in the same way as a person would and so can access information from different files, folders, servers and applications to quickly pull together relevant info. When a requisition form is created a bot can be utilised to copy the data across to an ERP, and ensure the right sign-offs and vendors are involved in the rest of the process.

**Ensure procedure is followed:** By its very nature, implementing automation ensures the standardisation of the process and a bot can also be used to identify whether a purchase requisition has had approval from the appropriate person and, where that is missing, flag the request as incomplete to the purchasing department. RPA can also be utilised in order to send automatic emails to each of the stakeholders involved to let them know if their request has been approved, rejected or is missing key information.

**Approve Purchases:** Its certainly possible to introduce some rules-based purchasing decisions and automate this process. As an example purchases for under a certain amount which have not been bought for a length of time could be automatically approved and ordered. Generally speaking though it is still best practice to have manual oversight of purchasing decisions.

**RFQs and POs:** Once again automation can gather the relevant information and send out RFQs or Purchase orders, collate the responses, match purchase orders to invoices and flag up discrepancies.



## CASE STUDY

### PURCHASING REQUISITIONS AUTOMOTIVE MANUFACTURER

**Challenge Faced:** The manual purchasing process was frustrating many of the employees, and this led to a degree of uncontrolled spending as staff looked to circumnavigate the paperwork. The procurement team were especially unhappy with the current way purchases were done as it required them to extract information from SAP, email, Excel and a desktop web portal. The inconsistent nature of requests meant it took purchasing an average of two hours to handle each of the thirty purchase requests they received each week. The large amount of manual work required, the process was wasting staff time and creating errors in processing.

**Solutions implemented:** Paper was replaced with a simple, user-friendly web portal that fed purchase requisitions into a bot. The bot then entered the information in SAP, checked for approvals via email and created the purchase orders automatically.

**The results:** This improved employee experience by reducing the amount of manual work required and accelerated the benefits from digital transformation. We were able to reduce the processing time by 78% and the company saw a return on investment within eight months.