# Procurement Compliance

From Adam and Eve sharing an apple to Orpheus turning around for a final, fateful glance of Eurydice, human narrative is full of bad things happening to people who break the rules.

Cautionary tales aside, following the rules and sticking to established protocol still may not be a guaranteed ticket to success—but it certainly helps tip the odds in one's favor.

Meeting regulatory requirements, along with internal and external expectations based on well-developed procedure, is a key component of *procurement compliance* in particular, as well as effective procurement in general.

Every company is different, and those which operate within more restrictive legal parameters may have a more robust and complex approach to compliance than others who don't buy or sell heavily regulated materials or offer heavily regulated goods or services.

Organizations track compliance in a variety of ways, depending on their specific needs and ambitions.

But however you measure it, chances are your procurement department can benefit from a deeper understanding of compliance, and its importance in

supporting the overall success of your organization.

# Procurement Compliance Defined

In most contexts, compliance is simply meeting pre-established expectations. For procurement teams, bringing together the compliance function with the procurement function means treating the latter as the executor of the former.

More simply, compliance sets the standards to be met, and the procurement process helps support meeting those standards through cost savings, supplier management, contract compliance, risk management, and internal use of technology, policy, and procedures.

In supporting compliance considerations, procurement leaders help support business strategies, improve competitiveness, and add lasting value to build a strong bottom line through improved internal controls, better financial recording and reporting, smart supply chain management, and identifying and exploiting opportunities for process improvement and relationship building.

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# Benefits of Effective Procurement Compliance

The role of compliance within your company can be as simple as ensuring your staff follows established procedures for ordering and approvals to complex as suppliers meeting federal, state, and local purchasing regulations regarding the raw materials you use to produce the goods you sell.

Whatever your industry or goals, bringing together compliance and procurement can benefit your company in a number of ways.

# Technology-Driven Procurement

Effective and comprehensive compliance to both external and internal expectations begins with smart, streamlined internal controls and best practices. Choosing a centralized and comprehensive procurement software solution improves compliance management through digital transformation via:

## Transparent Data Management and Analysis

Capturing every scrap of information related to all of your company's transactions greatly simplifies the procure-to-pay (P2P) process.

But with a connected, centralized document repository and accessibility (including mobile devices) for key stakeholders at all levels, management and staff can collect, analyze, and transform data to create rock-solid audit trails, accurate financial reports and forecasts, and even identify areas within the procurement function where compliance isn't quite up to snuff.

## Legal Team and Compliance Function

Your compliance function, working with your legal team, can also use the software to create templates for contracts and other documents designed with legal and financial compliance in mind.

The time and work-hours saved, combined with the speed and simplicity offered by automated approvals and payments, can quickly create a significant bottom-line boost.

Risk management also gets a boost here, since your exposure to legal and financial reporting problems is greatly reduced.

## Automation Empowering Spend, Supplier, and Contract Compliance

Building better practices doesn't do much good if they're hard to implement, easy to circumvent, or impossible to track.

A dedicated software solution lets you build internal controls for every step of the

procurement process, from purchase orders to payments, and provide clear, easily accessible tracking for authorizations.

With your supply chain connected to your document library, it's easy to offer approved team members intuitive and user-friendly catalogs for purchases from only preferred suppliers that meet legal, financial, and internal requirements.

Accountability and access are both improved, as is procurement's ability to connect with other departments in support of broader cost-saving, value-building initiatives. This kind of control is often referred to as *spend compliance.*

Reining in rogue spending supports both better compliance *and* continuous improvement. For example, spend compliance can also touch on purchases that need to be brought into the procurement workflow, or new materials, goods, or services added to your company's supply chain and in need of integration with your compliance controls as you pursue emerging markets.

S*upplier compliance* can be applied in two ways; used internally, it can refer to the policy of using only preferred suppliers as part of spend compliance initiatives for your company.

On the other side of the coin, it refers to how you track and evaluate vendor performance and compliance with your own policies and contract terms (a.k.a. *contract compliance*), as well as the legal requirements established by government agencies.

Supplier management also involves risk management. Metrics such as sustainability, operational support levels, and Service-Level-Agreements (SLAs) detailing quality, safety, data security, and customer service are all important parts of measuring both supplier and contract compliance.

With AI-assisted automation and centralized documentation in addition to vendor evaluation, you'll have complete visibility to what's working, what isn't, and areas where you may be exposed to undue risk through a supplier's noncompliance.

# Maximizing Procurement ROI

While a procurement software solution can certainly improve compliance across the board for your organization and supply chain, it's also an effective tool for

evaluating your procurement function itself.

How well does your procurement department meet the goals and best practices it establishes for your organization? Is it hitting benchmarks for process improvement and value creation? How well does it meet standards for on-time payments?

What percentage of total spend is devoted to procurement? How much of your spend is through compliant, managed contracts? Can those numbers be further optimized through strategic initiatives and supplier partnerships?

How well does procurement obtain buy-in for cost reduction, process improvement, and compliance initiatives across your organization as a whole?

Asking these questions—in effect, evaluating the evaluator—will yield rich insights and guide you toward a procurement function that can lead by example while continuing to identify new opportunities for greater compliance, savings, and relationship building.

# Cut Costs and Create Value with Compliance

At first blush, dealing with procurement compliance might have you feeling like you want to toss the rule book out the window—and take a leap after it.

But if you take the time to identify the metrics you need to measure, take advantage of the technology and tools that simplify and streamline the process, and ensure your procurement department complies with its own standards and practices, you can master compliance and turn your procurement department into a dynamo of savings, continuous improvement, and value.

# What’s your goal today?

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