How to Improve Requisition to Purchase Order Time



Want a quick and reliable way to improve your company's productivity, competitive strength, and profitability? Optimizing your business processes is a smart place to start. This is especially true in procurement, where nearly every workflow in the Procure-to-Pay (P2P) process presents modern purchasing and accounting departments with an opportunity to boost accuracy and efficiency through process optimization and the use of metrics to achieve continuous improvement.

One of these metrics—*requisition to purchase order time*, or the average time required to turn a buyer's purchase requisition into a purchase order—has rich potential for optimization. By following a few best practices and implementing digital automation and analytics technology, your purchasing department can streamline this process to achieve speedy and accurate turnarounds that drive gains in value and savings across your P2P process and your business as a whole.

Why Requisition to Purchase Order

Processing Speed Matters

Although it certainly plays an important role in effective purchasing, the requisition to purchase order process can seem ungainly to twenty-first century employees who do their buying on the Internet with a credit card and a few clicks.

But for businesses who want to achieve proper spend management and engage with their suppliers to build strong, strategic relationships, requisitions and purchase orders provide a proven method for capturing spend data and putting it to optimal use via strategic spending and process optimization.

Business owners of all types want to optimize this process to be as efficient and swift as possible for five reasons:

1. To lower the average cost and time required to process a purchase order, which can vary wildly by both dollar amount and hours required but averages 11.6 hours at a cost between $50 and $100 across industries.
2. To ensure the procurement process meets business needs at the best possible price and from the appropriate vendor.
3. To generate savings and create value through the elimination of wasted time, resources, and talent.
4. To ensure all transaction data is captured, organized, and available in real time for analysis, reporting, budgeting, forecasting, etc.
5. To encourage compliance with internal buying policies and controls to preserve the accuracy and completeness of spend data and reduce the risk of maverick spend, invoice fraud, and damaged supplier relationships.

The incentive to check off all five items is powerful; eliminating 15% from the average cost of processing a purchase order might seem relatively minor, but multiplied by thousands of purchase orders, the savings quickly become apparent. In order to realize these savings, however, purchasing departments need an intelligent and proactive approach to measuring and streamlining the requisition order creation and purchase order approval processes.

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Purchase Requisitions vs Purchase Orders

The first step in optimizing the purchase requisition order process is to understand the key differences between a purchase requisition vs a purchase order.

- **Purchase Requisitions** (PRs) begin with a purchase requisition form (also called a purchase request form). This document is created by the buyer and submitted to the finance department for approval. They may be required for all purchases, or only purchases over a certain dollar amount, depending on your company’s procurement system, buying policies, and overall spend management strategy.A purchase requisition form isn’t an order; rather, it’s an internal document—a “permission slip” to buy goods and services. It generally includes:
    - A unique purchase requisition number.
    - Purchaser’s information.
    - General description of goods or services requested.
    - Vendor information.
    - Pricing and payment terms.

Purchase requisitions may require multiple levels of approval to advance to purchase order stage, depending on the size and price of the items requested.

- **Purchase Orders** (POs) are created from purchase requisitions, importing the information from the approved requisition form, adding:
    - A unique purchase order number (PO number) correlating to the original requisition.
    - The purchasing company’s contact information, including invoicing address if it’s separate from the main location.
    - Vendor’s mailing address and contact information.
    - Delivery date.

Once submitted to the supplier, purchase orders constitute an official order and legally binding agreement between the two parties. The vendor reviews the PO, raises any concerns that need to be addressed or submits questions to be

answered, and then processes the order.

Outside vendors (i.e, suppliers not operating within the structure of the buying organization) use purchase orders to create the invoices they send. This external document is compared to both the original purchase order recorded in the purchasing system and any shipping documents enclosed with the order itself for validation purposes. This process is known as three-way matching, and uses these three key documents to create a paper trail essential to financial reporting, budgeting, and audits

Taking Control of the Purchase Requisition Process

The primary obstacles to a clean and efficient purchase requisition to purchase order process are:

- Delays in the approval process.
- Lack of internal compliance with buying policies.
- Paper-based, manual workflows.

Both large and small businesses can overcome these obstacles by implementing a few best practices and investing in purchase order software.

1. Automate and Analyze

If you're still relying on paper-based workflows or using last-gen, email-based solutions for creating purchase requisitions, you're sacrificing valuable time and resources with every purchase order created—and making it all too easy for your team to spend outside your procurement system.

Investing in a cloud-based, mobile-friendly procurement software solution like PLANERGY eliminates the need for paper, centralizes your data collection and management, and takes the pain, cost, and delay out of approvals by giving approvers multiple options—including a mobile app—for signing off on the goods and services your company needs to operate. The less time and resources you need to dedicate per requisition order and PO, the greater your savings and value.

Better still, it gives your accounts payable and procurement teams the power to:

- Automatically populate contract and supplier data to speed workflows and eliminate the need for tedious, error-prone data entry.
- Use spend data to create customizable, automated approval workflows based on spending thresholds by department, project, etc.
- Customize approvals for requisitions and purchase orders related to operating expenses/capital expenditures to help protect business continuity. Automate approval routing, with alarms and contingencies.Approvers are notified across all platforms, with reminders, based on settings you create. If an approver is out of the office or otherwise unavailable, automatically move a PR to the next approver to prevent costly delays that can cause your company to miss out on discounts and other savings.
- Gain full spend visibility; track spend over time for more strategic spending and planning.
- Create a guided buying system that automatically suggests the right vendors at the best possible pricing and terms for any order, speeding up workflows and eliminating maverick spend and invoice fraud.
- More accurately manage cash flow.
- Spend their time and skills on higher-value tasks—including more collaborative supplier relationship management.
- Use automation, AI, and analytics support across all procurement processes.

2. Refine Your Buying Policies and Liberate Your Team

Even the most powerful eProcurement tools won't help you succeed unless your team is engaged and ready to comply with the controls you've established.

- When you're choosing a software solution, be sure to invest in one that provides long-term education and training to help your team get on board and stay there.
- Establish role-specific approval levels and tie them to budgets. Include self-approvals, which not only speed the purchasing process significantly but encourage your team to be protective while improving accountability

and engagement.
- Ensure you have “fast track” approval streams and automatic reorders for business-critical goods and services. This helps protect business continuity and encourages your procurement department to develop a robust, flexible, and resilient supply chain that meshes well with your spend management approach.

A Faster, More Accurate Requisition to PO Process Is Possible

Smoothing out the bumps in the road to success isn’t always easy. But you can help ensure a smooth ride for your company by taking control of your purchase requisition process, investing in the right tech tools, and ensuring your whole organization is on board with your buying policies and internal controls. You’ll cut costs, reduce errors, and give your team the freedom they need to create value.

What’s your goal today?

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