

Vendor Approval Process Tips



If you've got a vendor approval process that's working for your company, why take time to look into it and consider changing it? Improving efficiency and effectiveness pays off in terms of productivity and employee morale, so taking a periodic look at your vendor approval process to make sure it's running as smoothly as possible is always a good idea.

Over time, even when something works well, it can become a complacent process - which has a downside. People are so familiar with the process, they start to get comfortable with ways to cut corners, which can lead to errors and potentially skew your data.

Here are some tips to help you make sure it's the best it can be.

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Go Paperless

Relying on paper leaves the door open for increased error potential. Paper can easily get lost and lack the necessary information to complete everything. As the papers get passed around from person to person in the approval process, it lengthens the process and can cost the company late fees. Transitioning from paper invoices to paperless options can cut down on many of these intrinsic

problems.

Ideally, you'll set up automation software that integrates with your ERP, so you can handle everything in the supply chain from RFP and purchase orders all the way through accounts payable and invoice payment.

Create a Definition of Approval

The people who are generally burdened by having to approve are the ones that feel like they don't actually need to be involved in the approval process. By defining exactly what you want each person to approve, whether it is budget approval or to completed work approval.

Create Spending Thresholds

Automatic dollar breaks will keep people from having to approve small purchases when they are busy with other tasks. Use dollar breaks throughout your approval process to ensure employees only see and approve invoices relevant to them. Your CFO, for example, may only need to approve invoices in excess of 10,000, while smaller amounts can be approved by someone else.

Hold Everyone Accountable

Even if you're running on an automated system, don't let it remain a mystery that your system tracks everything. By letting everyone know the system is tracking, they have complete visibility into the system and know they are watched as they work. If you're not using an automated process, create internal audit procedures to keep everyone accountable for their role in the process.

“Using automation means you don't have to be the bad guy. The rules you apply will handle the approvals and email reminders for invoices or payments that must be approved. Because it's automatic, you save time since you don't have to do it manually - meaning you don't have to go directly to the person face-to-face or even address it by email directly from you.”

Make it Easy

Regardless of whether you automate, your approval process needs to be easy to follow and understand. If the people who have to do the approvals don't have to go through a lot of steps, then they are much more likely to get it done frequently and fast.

Avoid Repeats

No person should be in the approval process more than once, handling different approvals. Sending

multiple approvals for the same invoice to the same person increases the workload for that one person, and unnecessarily complicates the entire process.

Allow Certain Vendors to be Approved by More Than One Person

By establishing vendors that more than one person can approve invoices from, then the burden is reduced overall, which speeds up the process. If John must handle all the invoices for all the vendors, but Sally could easily assist – then allow Sally to help John get the job done. Lengthy approval times are often associated with having one person in charge of most of the approvals. Provide each person in the process with a list of approved vendors they're allowed to approve – and then let whoever can get it done first handle it each time.

Plan the Work

Once people know their role in the approval process, they'll see the dependencies to their approval, and as such are motivated and more likely to move faster.

Go Mobile

By opting for a mobile solution that allows people to do the invoice approval process while on the go, such as when they're waiting in line. Having access to the AP process on their smartphone can help speed things up since they can log in and approve things directly on their phone.

While it may be tempting to avoid looking at your current process and leave on the back burner to focus on other aspects of supply chain management, the simple truth is that as your business grows, you won't be able to continue to rely on an excel spreadsheet to appropriately track everything. You're in control of the process and can make it better by implementing these tips.

PurchaseControl can increase your approval process efficiency with rules and automation.

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The entire PurchaseControl team has experience within a range of businesses, and as such, we bring a practical, holistic approach to purchasing. We understand what it takes to run a business and apply that knowledge to make PurchaseControl as effective as possible for all users.

Learn more at www.purchasecontrol.com

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