

NATIONAL E-PROCUREMENT PROJECT GUIDANCE NOTES

WORKFLOW AND AUTHORISATION

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1. Introduction and Definitions

Workflow is the term used to describe how the people, tasks, controls, documents and systems interact for each step in a business process. Workflow applies across the whole of the procurement life cycle, from procurement planning to the payment of suppliers, and it includes a wide range of automated and manual systems.

Implementing an effective workflow and authorisation strategy for procurement will:

- Improve the effectiveness and flexibility of the end-to-end processes, ultimately reducing cycle times and improving service levels;
- Ensure that valuable resources are focused on high risk, high value activities without the loss of control or corporate governance;
- Enable organisations to react more quickly to changing demands and handling exceptions;
- Ensure that non value-add tasks are not introduced into any new process;
- Distribute the management of processes effectively, removing bottlenecks;
- Encourage the acceptance of new systems, i.e. systems must decrease workload and must appear to empower;
- Reduce business risk through ensuring that appropriate stakeholder requirements are met – appropriate technical approval for tenders or orders, for example.

This document outlines some of the basic workflow concepts and the wider business issues that should be considered when designing and implementing a workflow strategy to underpin the procurement process.

2. Designing Workflow for Procure to Pay

Designing and implementing effective workflow and authorisation is an essential part of delivering a Procurement Strategy and is critical if the benefits of e-procurement are to be realised and solutions accepted by stakeholders.

2.1 Workflow Strategy

A workflow strategy must underpin the aims of the Procurement Strategy. In particular it can:

- **Support probity, value for money and corporate governance**
Certifying that high value and/or high-risk transactions are proactively managed with workflow steps designed to ensure the organisation is protected from inappropriate decisions being made. Monitor all other transactions and allow an exception management culture to be introduced where exceptions to trends are proactively approved and/or reactively audited as appropriate
- **Force separation of duties**
Workflow should be designed to enforce separation of duties where there is considered to be a business risk. This can include separate commitment and expenditure authorisation for contract placement, or the separation of technical and commercial review of quotations and tender responses.
- **Support the automation of low value procurement**
An appropriate low value strategy should be introduced with the aim of eliminating the manual processing of non value-add tasks. In many local authorities, 80% of invoices are under £500 in value and equate to 10%-15% of total spend. Often, 40%-50% of invoices are under £45 and therefore cost more to process than their actual transaction value. Workflow can be used to proactively manage low value spend and can support the culture change from control to organise, let go and monitor.
- **Support a procurement category approach**
Using tools where procurement categories are defined based on risk and expenditure will enable workflow to be set appropriately. Levels of control for the day-to-day ordering of consumables from a preferred supplier should have a different workflow route from those for tendering for a large IT outsourcing contract, for example.

2.2 The Impact of Technology

Workflow and authorisation has always been a key part of the procurement cycle through the use of tools such as manual signatures, triplicate stationery and sealed tender bidding. In manual processes it is often only feasible to have simple workflow routes and a single authorisation structure. Organisations are then dependent on proactively monitoring and approving each transaction.

The use of technology to support the procurement cycle provides greater flexibility and the opportunity to develop a more sophisticated approach including:

- Further stakeholder participation; supplier relationship managers may be notified when orders over a particular limit are placed, or category managers notified when new suppliers are used, for example.

- The existence of more complex workflow routes and multiple financial authority hierarchies based on department, supplier or procurement category for example. Users are no longer expected to remember their roles in the process as the technology determines when they should be involved and what should happen next.
- The maintenance of easily accessible audit trails and transaction history meaning that organisations can confidently move away from cumbersome paper based processes. This is particularly relevant for e-tendering and e-auctions where probity and corporate governance rules must be ensured.
- The provision of comprehensive management information supporting trend analysis and focusing audits on best value, adherence to policy and areas of management concern.
- Shortening of cycle times through the removal of non value-add steps in the process, the use of parallel processing (e.g. where multiple authorisations are required or specifications are jointly developed), improved accuracy and the removal of 'lost documentation'.

However, workflow solutions such as these do not come pre-configured. Organisations must be clear about what they are trying to achieve and must ensure that resources are made available to establish the concepts and implement the changes. For example, management reporting tools must be configured to report on trends and exceptions.

2.3 Workflow and Authorisation Points

Note that this list of workflow / authorisation points by solution type is not meant to be exhaustive but is intended to show a summary of where workflow could be considered:

Solution	Potential Workflow / Authorisation Points
e-Sourcing <i>Including e-Quotations, e-Tendering, e-Auctions</i>	<ul style="list-style-type: none"> • New contracts, revisions to contracts • Suppliers on hold, expired contracts • Notification of responsibilities (internally and to suppliers) for specification creation, review and response • Changes/updates to specifications • Answers to queries (to individual or all suppliers) • Notification of short-lists, changes in status

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Solution	Potential Workflow / Authorisation Points
<p>e-Procurement and/or Finance Systems</p> <p><i>Including Requisitioning, Purchase Ordering, Accounts Payable, Finance and Budgeting modules.</i></p>	<p>Data / Master File Changes, including</p> <ul style="list-style-type: none"> • Changes to or new suppliers • Catalogue and/or price changes • Changes to user privileges, security settings and authorisation levels • Changes to defaults (overriding cost centres or catalogue prices for example) <p>Transactions (consider new transactions and revised/amended/cancelled transactions)</p> <ul style="list-style-type: none"> • Requisitions and Orders; including emergency orders, service orders, un-priced orders, orders for specific categories of goods/services • Stock checks, price checks or order acknowledgements • Budget management • Revisions, cancellations and amendments to transactions • Receipts • Invoices and Credit Notes; including non-order related invoices • Matching and exception handling (on price, value, quantity etc.) • Disputes and other query handling
<p>Purchasing Cards</p>	<ul style="list-style-type: none"> • Exceptions to trends or value limits (by individual or department) • New supplier types used (by industry classification) • New card requests • Lost / replacement card requests • Management of refund requests and other queries
<p>Business Intelligence</p>	<p>Using in-built analysis against historical data to identify and notify:</p> <ul style="list-style-type: none"> • Exceptions to trends or value limits • Exceptions to trends for key suppliers (to supplier relationship managers for example) • Budget checking • Changes to cycle times • Bottlenecks (individuals, departments) and system performance issues • Issues in key markets or for key suppliers – from on-line news sources for example

3. Solution Considerations

This section outlines considerations and options for implementing workflow. The concepts are independent of specific documents, individuals or systems. Different systems will not necessarily allow you to implement all the concepts and advice should be sought from solution providers.

Stakeholder Issues

Stakeholders are the individuals who have a role in the business process being workflowed. They will either actively participate or require information from the process.

It may be more appropriate to nominate a department or group of users as a stakeholder, rather than an individual. For example, can any individual in the legal department approve a change to standard terms and conditions, or could anyone on the IT helpdesk approve the purchase of a non-standard piece of software or hardware. This approach can have the advantage of shortening cycle times, and keeping escalation and proxy usage to a minimum.

Stakeholders in the process may well be external to the organisation or may not have access to the required workflow system. Consider how these stakeholders will be notified, how their actions can be incorporated and what the escalation routes are if they do not comply.

A stakeholder in the workflow may well be another business system and not an individual or group: the receipt of statement or invoice information from a supplier, the output of an electronic order to an email system, or the automatic generation of a goods receipt note, for example.

Use of Proxies

The use of Proxy Users occurs when one user does something on behalf of another user. This can occur through absence, lack of accessibility of systems or by delegation. The most common occurrence is when an administrator is empowered by a manager to undertake some of his/her responsibilities. Best practice requires that proxy user activity is separately identifiable as opposed to just sharing user id's and passwords.

Users should have the capability of nominating one or more proxy user(s) to act on their behalf independently for each stage of the procurement cycle. It may be appropriate for a colleague to create a goods receipt in your absence, but not to create orders or authorise requisitions.

Setting Limits

Setting approval value levels must be based on risk to the organisation.

As a general rule, approval levels should be set based on the 80:20 rule, i.e. based on the principle that 80% of activity generally relates to 20% of the total value. For example, commitment authorisation hierarchies could be set so that a buyer can self-authorise 80% of orders (relating to 20% of procurement spend) and only 20% of orders need to be authorised by more senior colleagues (relating to 80% of procurement spend).

This approach avoids overloading senior staff with low value, low risk tasks. Alternatively, the ratio could be set lower and revised upwards as confidence in system controls is built, an exception culture is established, awareness and skills are developed and further controls (such as preferred supplier usage) are introduced.

Depending on the complexity of the organisation, it may be appropriate to have different approval value levels for different individuals, departments or procurement categories.

Escalation

Organisations need to consider what to do if a stakeholder does not complete his/her responsibilities. Consider how long you will give the stakeholder, who the task will be escalated to and what information needs to be shared with the affected stakeholders. Actual escalations should be monitored so that bottlenecks can be identified and resolved.

Document Imaging

Sometimes decision making needs to be supported by the view of an actual business document. This may be a contract, quotation letter, order, invoice, delivery note, etc. Document Imaging solutions can be implemented to support this. The principle is that all business documents are scanned and key-worded as soon as they arrive in the organisation. The paper document is then filed safely and the electronic version is referenced whenever it is needed to support a business process. This type of solution can be difficult to cost justify if the technology is not already in place for other reasons.

The increasing use of XML to create and transmit business documents provides an alternative. The XML document includes all the information that you would typically see on a paper or fax document. A HTML style sheet (supplied by the XML document owner) can be applied to an XML invoice so that its image can be shown in a web browser.

The benefits of using an electronic document image are that:

- All information is visible – including logos, colours and information fields that are not usually entered into systems.
- Everyone sees the same version of the document, and no one refers to an un-signed contract, for example, because that is the only one to hand.
- Documentation is not “lost” as it is passed around the organisation, potentially shortening cycle times.
- More than one user can view the document at any point in time (enabling parallel authorisation, for example), again potentially shortening cycle times.

Other Considerations

- Workflow should be considered for system administration activities such as catalogue management or updating system controls, in addition to transaction management.
- Are there stakeholder groups who would benefit from notification steps – informing procurement category managers when new suppliers are used or prices changed, for example?
- Could any parts of the process be managed by exception? Workflow can be set to automatically create goods receipt notes for reliable suppliers, for example two days following the order due date unless a receiver indicates a problem with the goods/services.
- If a number of stakeholders need to provide authorisation, can this be done in parallel rather than sequentially, in order to shorten timescales. This may be useful if technical authorisation is required in

addition to financial authorisation, or if different line items require different authorities.

- Define what should happen if a transaction is to be rejected. Is it possible to reject part of the transaction, or must the whole of the transaction be rejected (one requisition line or the whole requisition, for example). What information should be shared with all stakeholders, with reasons documented? What are the permissible next steps?
- What methods of notification are required: email, SMS (text) messaging, system- or paper-based? This will depend on system and stakeholder availability and the relative importance of the message. More than one method may be required for a single step.
- How are audit trails of each step held and reported, i.e. do you need to hold before and after views of data, or just the person who made the latest change?
- How easy is workflow to set up and change? Ideally this should be done using graphical models or business controls and should not require IT or solution provider resource.
- Ensure that emergency transactions are considered, and that appropriate audit controls exist.

4. Issues and Risks

There are a number of issues and considerations to take into account when designing and implementing a workflow strategy:

- There will be a tendency to over control the process if the organisation insists on too many levels of approval.
- If current processes are re-implemented this will result in business benefits not being achieved, or systems being rejected as “bureaucratic” by stakeholders.
- Workflow routes are either made too complicated and therefore unmanageable, or too simplistic - the “one size fits all” approach.
- Stakeholders, including Audit, senior management and budget holders, may fail to understand risk vs. reward.
- The low value strategy either does not exist or is ineffective.
- Systems, management information and culture are insufficient to support management by exception.
- Procurement systems cannot support the workflow requirements, resulting in additional manual steps.
- Whether to purchase best of breed workflow technology, or use the functionality available in the different procurement solution components.

5. Conclusions

- Avoid “one size fits all” – consider procurement categories, transaction values, departments and individuals.
- Match workflow rules to individual responsibilities, training and skill levels.
- Keep it simple.
- Manage by exception: manage post event using trend analysis wherever possible, rather than manually controlling the whole process.
- Ensure that the process is monitored and plan for ongoing improvement .
- Automate quickly and change incrementally over time to evolve in step with the business.
- Plan to remove workflow steps wherever possible, based on your business metrics (e.g. expenditure and transaction value profiles) if you cannot get approval from day one.
- Understand risk vs. reward, and question the value of every manual intervention.
- Ensure that procedures are built to ensure that changes to personnel are notified and implemented (either manually or automatically) and new users are created efficiently.

6. Links to Other Documents

The following web sites provide useful additional information on the wider topic of Business Process Management:

- www.ft.com/bpm
- www.staffware.com

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