

# MAJOR DRAWBACKS OF THE MANUAL PROCUREMENT PROCESS

Nearly 60%, in some cases even more of the companies revenues are spend in acquiring goods and services for the operations of the company. Procurement managers are accountable to shareholders as it is the money that they are spending. A manual process makes it very difficult to satisfy auditors and other stakeholders.

Let us look at the major drawbacks of Manual procurement processes. We will consider 6 topics for our discussion here:

## Processes

Manual processes are slow as they are laborious and time-consuming. Hours of manual labor result in fatigue making the process error-prone. Creating and maintaining records are major activities in themselves as they not only record the decisions but also need to be retrieved when asked for by auditors and other stakeholders. Segregation of responsibilities and maker checker roles have to be defined for four eye checks requiring the deployment of more manpower. Exits of staff create additional risks of redundancy. A fully automated procurement system is a smart idea whose time has come.



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## Storage & Retrieval

A manual system of record keeping requires proper storage facilities and systematic record-keeping. Records/files have to be indexed, labeled, and stored properly in fireproof storage cabinets in a manner that can be retrieved when required easily. Storage systems require a lot of space as records need to be kept for many years depending upon the legal requirements. Good storage systems are expensive as well. The storage location should be such that they are protected from natural disasters like rain, temperature, humidity, etc. and are also protected from risks of fire hazards. Theft of records and fraud are also major risks in a manual system.

## Changes & Amendments

In a manual process making and tracking changes and amendments is cumbersome. The documents have to be retrieved for ensuring proper continuity and consistency and also for pre-audit checks. It is also difficult to track changes and maintain document history. Sometimes some transactions require multiple changes and amendments which slows down the process, makes it complicated and inefficient



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## Maverick Buying

A manual process comes with limitations on control putting at risk price management with vendors. This risk gets compounded when people in the organization purchase goods and services without involving the procurement department. Also called Maverick Buying, this process disregards purchasing policies and procedures resulting in financial risks and fraud. Moreover, the specialized skills of procurement professionals are not leveraged as this is completely bypassed. The result can be quite chaotic.

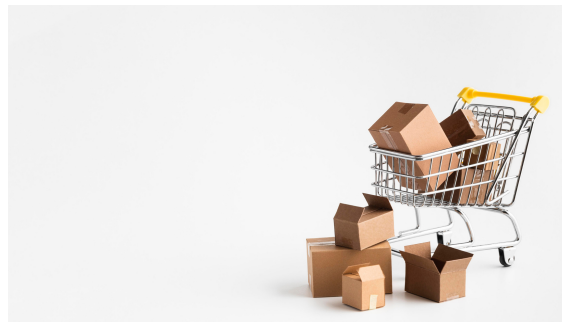


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## Time

It is clear from the above that manual processes require more time and resources to complete any activity. Time is spent at every step of creation, storage, organizing, and retrieval. It is also true that a lot of time is wasted in remedying mistakes and chasing paperwork. This slows down the entire process as measured by Transaction Turnaround Time (TAT)



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## Data Security

Data security topics have become very important now. With many countries legislating on this topic it is incumbent upon organizations to ensure that the huge amount of data and information that they handle that of their vendors are handled in a responsible way. Documents in the wrong hands can lead to abuse. It is very difficult to implement a fool-proof system when processes are manual. Moreover, errors of creation, transmission are challenges that need to be handled



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Manual procurement processes are error-prone, inefficient, complicated, and full of risks. It is important that businesses prioritize the implementation of **digital procurement solutions** that will automate procurement processes, manage their end-to-end, and usher in efficiency, risk mitigation, transparency, and cost savings while making it error-free.