

Procurement Controlling: Steering Purchasing in a Measurable Way and Keeping Costs in View

Procurement controlling refers to the systematic planning, steering and monitoring of all procurement activities of a company based on defined key figures and processes. It links operational purchasing business with corporate objectives in the areas of cost, quality, delivery capability and compliance. For industrial buyers, it is the central instrument for making the performance of supplier management demonstrable and identifying needs for action at an early stage.

Key facts

- Procurement controlling encompasses target setting, key figure development, reporting and results evaluation in purchasing.
- Typical core tasks are budget and cost control, supplier evaluation and the monitoring of lead times.
- In practice, controlling is frequently divided into strategic, operational and DisPositive levels.
- Through procurement controlling, purchasing can typically demonstrate a tangible contribution to EBIT, often as a percentage of procurement volume.
- Digital systems such as ERP, e-procurement and data analytics increase transparency and shorten reporting cycles.
- Without reliable master data and clear target agreements, procurement controlling frequently remains incomplete in practice.

Definition: Procurement Controlling

Procurement controlling is the systematic recording, analysis and steering of all procurement processes and their effects on the basis of objectives, key figures and reports. It ensures that purchasing contributes measurably to the achievement of company objectives – for example in material costs, supplier performance, inventory commitment or procurement lead times.

Distinction from classical controlling

Classical controlling views the company as a whole and works predominantly with aggregated financial key figures. Procurement controlling operates in more detail: it evaluates procurement markets, suppliers, material classes and individual procurement transactions. As a result, it can deliver root cause analysis at transaction level, for example when material prices rise or lead times lengthen. It thus serves as both a linking element and an early warning system between the purchasing department and the controlling department.

Levels of procurement controlling

In practice, a three-way division has become established. The strategic level examines procurement

strategies, market analyses and supplier portfolios over several years. The operational level monitors key figures such as replacement purchase prices, framework contract utilisation or supplier evaluations in ongoing business. The dispositive level steers ordering processes and adherence to deadlines in day-to-day business. Only when all three levels are interlinked with shared objectives does a closed control loop emerge.

Objectives and Tasks of Procurement Controlling

The aim is to make procurement decisions verifiable, comparable and aligned with corporate strategy. To this end, controlling provides leadership information, monitors budget compliance and evaluates the efficiency of purchasing measures.

Budgets and cost steering

A central building block is the procurement budget: the planned procurement volume is broken down by material class and cost centre and continuously reconciled with actual volume. Variances – for example due to price increases, additional demand or unplanned purchases – are analysed and attributed to their originators. The purchasing cost centre reporting thereby makes transparent which departments trigger which procurement volumes. Price variances compared with the previous year or with contractually agreed prices are reported as genuine savings and are not mixed up with volume effects.

Ensuring supply and compliance

In addition to costs, procurement controlling also monitors supply security. This includes suppliers' adherence to deadlines, compliance with quality requirements and the traceability of materials in critical supply chains. Further tasks include monitoring compliance with regulatory requirements, for example in compliance checks of suppliers, as well as documenting approvals for exceptional orders. The prevention of sham orders and duplicate orders also forms part of the review catalogue.

Steering the supplier portfolio

At the strategic level, procurement controlling evaluates the supplier portfolio against criteria such as quality, on-time delivery, price level and innovative strength. The results feed into supplier management and steer which suppliers are expanded, developed or replaced. A consistently maintained commodity group roadmap complements this by defining, for each material class, which procurement strategy – for example single sourcing, dual sourcing or in-house production – is to be pursued going forward.

Methods and Approach in Procurement Controlling

Procurement controlling follows a classical control loop: target setting, planning, plan-actual comparison, variance analysis and derivation of actions. The methods range from simple report tables to integrated BI evaluations.

Key figure derivation and target agreement

The starting point is the derivation of purchasing objectives from the corporate strategy. These are translated into measurable key figures and fed back as target agreements to purchasing teams and individual positions. A combination of hard key figures (costs, delivery reliability) and soft factors (supplier relationships, risk management) makes sense. Objectives should be formulated SMART and reviewed regularly – in practice, usually quarterly.

Process and data basis

Reliable controlling requires clean master data. A consistent material numbering system, well-maintained unit and currency master data and uniform material classes are fundamental prerequisites for keeping evaluations comparable. In addition, clearly defined processes are needed: demand specification, ordering, goods receipt and invoice verification must be recorded without gaps. The requisition-to-PO lead time – i.e. the time from the purchase requisition to the purchase order – is a typical control measure for process discipline here.

Reporting and variance analysis

Reporting should be focused on a small number of decision-relevant reports. Monthly standard reports on procurement volume, price variances and supplier performance, supplemented by thematic ad-hoc analyses, have proven effective. Where variances occur, a structured root cause analysis follows: is the variance in price, quantity, demand or process lead time? Only on this basis are effective actions derived, such as negotiations, alternative sources of supply or process simplifications.

Important KPIs in Procurement Controlling

Key figures are the core instrument of procurement controlling. In practice, a number of standard key figures have become established, which are supplemented by company-specific figures.

Key figures on costs and savings

Central figures are procurement volume, the material cost ratio (procurement volume as a share of revenue), price variances against reference prices and realised savings. Savings should be clearly distinguished: cost avoidance (averted price increase) is not the same as realised cost reduction compared with previous-year prices. The utilisation of framework contracts also belongs here, as unused terms represent latent savings potential.

Key figures on processes and suppliers

Typical on the process side are the requisition-to-PO lead time, the share of orders processed via e-procurement and the data quality of open orders. On the supplier side, on-time delivery performance (schedule adherence and quantity adherence), quality key figures such as complaint and scrap rates, and results from supplier evaluations dominate. In addition, metrics from the inventory domain, such as inventory commitment and stock coverage, provide information on procurement quality. The delivery reliability of individual suppliers should be viewed separately from the overall figure in order to steer in a targeted manner.

Risks and Controls in Procurement Controlling

Procurement controlling safeguards not only efficiency but also the integrity of the procurement process. It uncovers weaknesses before they lead to material or legal damage.

Typical risks in the procurement process

Common risks include sham orders and internal mispostings, unclear responsibilities in order approvals, supplier failures and quality fluctuations for critical materials. Economic risks relating to the supplier – identifiable, for example, through regular credit checks – can also jeopardise supply. Large projects add contractual risks; here, contractual sanction mechanisms such as liquidated damages for delays may be relevant, although their wording should be legally reviewed on a case-by-case basis.

Controls and review mechanisms

Effective controls operate on several levels: the four-eyes principle for approvals, document checks on invoices and delivery papers, regular stock inventories to ensure quantity accuracy, and cycle counting as a continuous inventory method in the warehouse. The traceability of materials is mandatory, particularly in regulated industries such as automotive or medical technology. For exceptional situations – such as supplier failures or imminent production stoppages – a defined purchasing emergency team with clear escalation paths and communication arrangements is recommended.

Legal and internal framework conditions

Procurement controlling should also monitor compliance with internal policies and external requirements. These include procurement policies, rules on signing authority, documentation obligations and, in tenders, the duty of care regarding confidential information, frequently safeguarded through a non-disclosure agreement (NDA). Specific tax and contractual questions – for example on VAT in international procurement or on liability issues – must always be examined on a case-by-case basis, if necessary with professional advice.

Current Developments: Digitalisation and AI in Purchasing

Procurement controlling is increasingly moving away from the static monthly report towards continuous, data-driven steering. ERP and e-procurement systems provide transaction data in near real time, and analytics tools enable evaluations that were previously hardly achievable manually.

Automation and AI applications

In practice, AI in purchasing is used above all for pattern recognition and preparation: price analyses based on historical transactions, anomaly detection in orders, automated classification of material data and support in evaluating quotations. In procurement controlling too, such methods help to detect variances at an early stage rather than discovering them only in the monthly accounts. A prerequisite is good data quality – incomplete master data severely limits the benefit of any AI method.

Digital procurement processes and their control

Electronic tendering makes tendering processes more transparent and traceable, as documents, deadlines and side offers are systematically recorded. Digital procurement platforms reduce manual effort while simultaneously improving the data basis for controlling. For complex procurements – for example prototype procurement in development projects or sourcing for sample construction – separate controlling routines are advisable, since quantities are small, lead times must be short and the cost structure differs significantly from series procurement. Ramp-down management for phased-out products also requires its own steering in order to avoid excess stock and spare parts problems.

Resilience and sustainability as controlling topics

Beyond purely cost-related topics, supply risks and sustainability requirements are moving more strongly into the focus of controlling. Supply chain transparency, supplier risk scoring and the measurability of ecological and social criteria are becoming regular controlling topics. Companies that integrate these aspects into their key figure systems at an early stage can meet regulatory and customer requirements in a practical way, rather than having to document them retrospectively at great expense.

Introducing Procurement Controlling: Procedural Model

Building effective procurement controlling usually succeeds in stages. What matters is not to start with an over-ambitious key figure system, but with a few relevant key figures that are reliably available.

Phase 1: Baseline analysis and prioritisation

First, the status quo is assessed: what data is available, how good is the data quality, which procurement processes are critical? A market analysis per material class and a structured ABC analysis of procurement volume show where controlling has the greatest leverage. Typically, a small number of material classes account for the majority of the volume – this is where steering should begin.

Phase 2: Key figures, reports and responsibilities

In the second phase, KPI definitions are established, the reporting cycle and report format are defined and responsibilities are assigned. It is important that buyers understand the key figures as a steering instrument and not as a control instrument. Transparent target agreements, regular meetings and the opportunity to derive actions significantly increase acceptance. In addition, a measures pipeline is recommended, in which ongoing purchasing projects are documented with expected effects and implementation status.

Phase 3: Anchoring and continuous improvement

In the long term, procurement controlling only survives if it is used regularly. Reports should be discussed in the management review, key figure targets adjusted annually, and the reports themselves continuously streamlined. System support should also be expanded step by step, from manual evaluations to automated dashboards.

Typical metrics

Material cost ratio: typically 40–70% of revenue (depending on industry)

Share of procurement costs in revenue; must be interpreted in a strongly sector-specific way

On-time delivery performance: > 95%

Share of order items delivered on time; typical practical target value

Lead time requisition to PO: < 5 working days (standard demand)

Time from purchase requisition to receipt of the purchase order; variable depending on approval levels

Realised savings: frequently 1–3% of procurement volume p. a.

Evidence against reference prices; to be separated from avoidance effects

Complaint rate: < 2% of delivery items

Share of rejected deliveries per supplier and material class

Practical example

A medium-sized mechanical engineering company with around 300 employees previously had no structured procurement controlling. Procurement volume was significantly above budget, and variances only became visible in the annual accounts. Through a phased build-up, a measurable improvement was achieved within one year:

- Introduction of a monthly purchasing cost centre report with reconciliation against the procurement budget by material class

- Standardisation of supplier evaluation with key figures for on-time delivery and complaint rates, integrated into supplier management
- Automated evaluation of the requisition-to-PO lead time to reduce procurement lead times
- Establishment of a purchasing emergency team with defined escalation paths for critical materials

Conclusion

Procurement controlling is not an end in itself, but the prerequisite for purchasing to become a measurable and steerable value driver. It links strategic objectives with operational implementation, creates transparency over costs, suppliers and processes, and safeguards compliance. What matters is a reliable data basis, a small number of decision-relevant key figures and regular use in the management process. Those who start step by step and continuously expand system support achieve quickly visible results in practice. In this way, procurement controlling evolves from a downstream reporting instrument into an active steering lever for competitiveness and resilience.

Frequently asked questions

What is procurement controlling?

Procurement controlling is the systematic planning, steering and monitoring of all procurement activities based on defined targets and key figures. It links purchasing to corporate management and provides leadership information on costs, suppliers, processes and risks. In doing so, it makes the performance of purchasing demonstrable.

What are the tasks of procurement controlling?

Core tasks include budget and cost control over the procurement budget, supplier evaluation, monitoring of procurement lead times, early risk detection and the derivation of actions from variance analyses. In addition, it shapes reporting and target agreements. At a strategic level, it supports decisions on the supplier portfolio and procurement strategy.

Which KPIs are relevant in procurement controlling?

Typical key figures include the material cost ratio, price variances, realised savings, on-time delivery performance, the complaint rate and the lead time from purchase requisition to purchase order. Inventory commitment and framework contract utilisation are also frequently measured. What matters is a manageable number of decision-relevant KPIs with clear definitions.

How do you introduce procurement controlling?

A phased approach has proven effective: baseline analysis and prioritisation by material class, the definition of a few core key figures with clear definitions, followed by the establishment of reporting and gradual system support. Acceptance grows when buyers use the key figures for steering and can derive actions from them. Regular reviews ensure sustainability.

What is the difference between procurement controlling and strategic purchasing?

Strategic purchasing makes decisions on procurement strategies, suppliers and contracts. Procurement controlling checks whether these decisions deliver the desired results and provides the key figures and analyses for this purpose. The two areas work closely together: controlling provides the factual basis, and strategic purchasing implements the resulting actions.

What role does digitalisation play in procurement controlling?

ERP, e-procurement and analytics systems provide transaction data in real time and significantly shorten reporting cycles. AI applications support price analyses, anomaly detection and material data classification. A prerequisite for all digital methods is well-maintained master data quality and a uniform material numbering system.