

Delegation of Authority: clearly regulating procurement authority

Delegation of Authority (DoA) refers to the formally regulated transfer of decision-making powers within an organisation, in particular for contractual and financial commitments in procurement. In procurement, the DoA determines who may sign which contracts, approve which order values and bind which suppliers in a binding manner. It creates transparency, accelerates processes and reduces the risk of unauthorised commitments.

Key facts

- The Delegation of Authority regulates in writing who may give binding approval for which amounts and decisions in procurement.
- Typical components are procurement approval thresholds, multi-stage approval levels and a documented deputy arrangement.
- An effective DoA reduces maverick buying, procurement fraud and liability risks for employees and executive management.
- In practice, DoA rules are frequently mapped in workflow-based form in ERP and e-procurement systems.
- The authority framework should be reviewed annually and adjusted promptly in the event of organisational or personnel changes.

Definition: Delegation of Authority

Delegation of Authority is the formalised transfer of decision-making powers from higher to lower levels of an organisation. It defines which role may make which decisions independently, up to which financial or functional scope.

Distinction from power of attorney in the legal sense

The DoA is primarily an internal corporate governance instrument and regulates who holds decision-making authority internally. The authority to represent the company externally, for example the power to sign a supplier contract in a legally binding manner, does not automatically follow from it and is governed by commercial and civil law as well as the individual case. Companies should therefore consider internally defined authority and the legal position towards third parties separately and, if in doubt, obtain legal review. In practice, many organisations combine the DoA with commercial-law provisions on commercial power of attorney (Prokura) or general powers of attorney so that internal and external effect are aligned.

Areas of application in procurement

In procurement, the Delegation of Authority relates, among other things, to the approval of purchase orders and framework agreements, the selection of suppliers up to certain value thresholds, the consent to price changes and decisions on tenders and negotiation management. Functionally related topics

such as consent to Incoterms CIP or other delivery clauses, signature of bank guarantee/surety commitments and the approval of quality requirements such as an inspection instruction may also be integrated into a DoA matrix. The more complex the supply relationships, the more important a clear, documented distribution of authority becomes.

Components of an effective DoA framework

A robust Delegation of Authority consists of several coordinated elements. It must be clearly legible for all participants, up to date and anchored in the daily process.

Authority matrix and approval thresholds

The centrepiece is the authority matrix, often also referred to as the authorisation matrix. It assigns specific amount, value and subject-matter authority to roles and positions. Typically, procurement approval thresholds increase with the level of hierarchy: an officer can approve purchase orders up to a low benchmark value on their own, while higher amounts require the approval of the head of procurement and executive management. It is important that value thresholds cover not only absolute euro amounts but also differentiate between categories, such as capital goods, services or materials, which are mapped via the spend taxonomy. This prevents critical categories from 'slipping through' under general thresholds.

Multi-stage approval processes

Above certain value thresholds, a DoA generally requires multi-stage approvals in which functional, commercial and financial approvals are combined. The four-eyes principle is common practice: requisitioner, specialist department and procurement review independently of one another. For strategic matters such as framework agreements, the series release process for new parts or long-term supplier contracts, additional bodies, such as a procurement council, may be provided for. The levels should be designed so that speed and control remain in balance; too many approval levels lengthen lead times and encourage circumvention.

Deputies and absence arrangements

A DoA is only workable if it contains deputy rules. If a person with approval authority is unavailable, it must be clear who temporarily assumes the authority and up to which value. In practice, deputies are often stored automatically in the workflow system, with a fixed order of rank or designated deputies. It is important that the deputy arrangement is also documented so that later audits can trace who granted which approval on behalf of which role. Without a clean deputy arrangement, supply processes stall, particularly in time-critical procurement.

Implementation in the procurement process

The introduction of a Delegation of Authority only succeeds if it is translated into systems, processes and training practice. Pure paper rules without process anchoring are regularly circumvented.

System-based implementation in ERP and e-procurement

Modern ERP and e-procurement systems map DoA rules in workflow-based form: purchase orders, contract amendments and complaints are automatically routed to the responsible approval level according to value and category. This is often combined with category-specific rules, for example when certain item groups or supplier classes trigger additional reviews in supplier management. Adjacent

processes can also be connected, provided the system architecture permits it, for example processes relating to Vendor Managed Inventory (VMI) or consignment stock, where the value flows must be assessed differently from classic purchase orders. What is crucial is that the system logic matches the documented matrix.

Roles, training and communication

Employees must know which authority they hold and which they do not. Short authority profiles per role, training during onboarding and regular refresher sessions, for example annually or during major reorganisation phases, have proven effective. Procurement managers should also understand why thresholds exist: not out of distrust, but for risk limitation and traceability towards external auditors, supervisory bodies and customers. Transparent communication reduces the temptation to circumvent thresholds by splitting purchase orders and strengthens acceptance of the rules in day-to-day business.

Interfaces to adjacent processes

The DoA does not operate in isolation. It interacts with negotiation management when negotiation mandates and closing authority must be defined congruently. It likewise touches quality assurance when approvals for first and series parts depend on the series release process, or logistics when clauses with a defined Incoterms risk transfer are bindingly committed. Foreign trade obligations such as Intrastat reporting also require clearly assigned responsibilities. A good DoA matrix references these interfaces and names who must decide or consent at which point.

Key KPIs for steering the Delegation of Authority

Whether a DoA is actually effective can be tested using a handful of measurable metrics. They show whether thresholds are observed, processes run quickly and circumventions are detected.

Compliance and process metrics

Key metrics are the share of purchase orders outside defined thresholds, the lead time of approval workflows and the share of approvals granted automatically versus manually. In practice, organisations frequently aim to complete more than 95 per cent of approvals within defined response times and to keep circumvention rates close to zero. In addition, it is possible to measure how frequently deputies are used: very high values indicate bottlenecks in the actual approval structure. All metrics should be considered by category, as indirect procurement, for example, shows different patterns than direct material.

Economic effects

Alongside compliance, the economic impact matters. Suitable metrics here include the share of transactions approved with correct values, the number of subsequent corrections or supplier complaints, and the development of total cost of ownership per procurement transaction. Anyone identifying bottlenecks in approval levels can adjust thresholds or the number of levels, thereby reducing capital tied up and process costs. Interest effects of payment terms, for example with financing instruments such as reverse factoring, can also feed into value threshold decisions, as such arrangements frequently require higher approval levels.

Risks, controls and typical sources of error

A missing or sloppily practised Delegation of Authority is one of the most common causes of

procurement losses. Systematic controls significantly reduce these risks.

Typical risks without a clear DoA

Without regulated authority, maverick buying, unwanted supplier lock-in, excessive prices and poor contract terms threaten. Fraud risks are added: fictitious purchase orders, fictitious suppliers or collusive cooperation between procurement and supplier are easier to commit when approval thresholds are unclear or controls are missing. Liability issues also arise: employees who make commitments beyond their authority can burden themselves personally and the company economically, for example with uncovered commitments regarding quality, delivery dates or warranties.

Controls and internal audit

Proven controls include periodic sample audits, complete audit trails in the systems, automatic warnings when thresholds are exceeded, and four-eyes review for sensitive categories. Internal audit should regularly review the DoA for currency and compliance. Rotation principles in critical functions and a documented audit right towards suppliers, in order to make commitments regarding process and quality capability verifiable, have also proven effective. Results from the supplier performance evaluation or the supplier rating should ideally feed into decision-making authority, for example when the extension of a framework agreement requires a higher approval level.

Common implementation mistakes

Typical mistakes are overly complicated matrices that nobody understands any more, thresholds set too low that generate mass enquiries, or thresholds that have not been updated for years. The combination of weak system support and a high share of manual approvals is also problematic: the pressure to circumvent then grows. Also to be avoided are discretionary thresholds without category logic, so that strategically significant small transactions, for example in market surveillance or trial orders, are not captured. Regular reviews and a simple, comprehensible structure counteract these errors.

Current developments and outlook

The Delegation of Authority is changing as a result of digitalisation, regulation and more dynamic supply chains. Organisations continuously adapt their authority models to new requirements.

Automation and data basis

Workflow systems, data analytics and increasingly AI-supported reviews make it possible to route approvals more quickly and with greater context. Price analyses, supplier risk scores and historical volume tier data can feed into the approval process as decision bases. Material Requirements Planning (MRP) provides demands against which value thresholds and expedited decisions can be aligned. The trend is towards dynamic rules: instead of rigid amount thresholds, combinations of value, category, supplier risk and time pressure determine the approval route.

Compliance, sustainability and the supply chain

Regulatory requirements on supply chains, product conformity and sustainability increase the complexity of procurement decisions. Topics such as RoHS compliance, Safe Launch at new production starts or social standards in the supply chain require additional review and approval levels. Many companies therefore anchor in the DoA that certain contract contents or supplier classes require functional commitments from compliance or quality functions. 4PL models and extended logistics services are also increasingly treated as separate areas of authority with defined approval rules.

International organisations

In internationally organised companies, a tension frequently arises between central governance and local ability to act. Multi-level models have proven effective: a global framework defines minimum standards and maximum limits, on which local units receive derived authority. Currency conversions, country-specific legal situations and differing tax regulations must be taken into account. Annual reviews of the global matrix and decentralised adjustments within the approved framework are common practice in order to maintain the ability to act locally.

Typical metrics

Share of approvals within target time: > 95 %

typical benchmark for compliance with defined response times in the approval workflow

Share of purchase orders outside the defined authority framework: < 2 %

non-compliance rate; the target is a value close to zero

Share of automatically routed approvals: > 80 %

a high level of system support reduces manual circumvention

Approval process lead time: < 2 working days

typical benchmark for standard purchase orders below strategic thresholds

Practical example

A medium-sized mechanical engineering company with around 400 employees found that a significant proportion of purchase orders were placed without a defined approval. Following a reorganisation of the procurement department, the company introduced a two-stage Delegation of Authority: buyers receive category-specific authority up to a low benchmark value; above that, multi-stage approvals by the head of procurement and the commercial director apply. Strategic framework agreements, bank guarantee/surety commitments and supplier contracts over defined terms require the approval of executive management. The rules were mapped in the ERP workflow and linked to the spend taxonomy.

- Introduction of an authority matrix with value- and category-based procurement approval thresholds
- Mapping of approval levels as an automated workflow with a documented audit trail
- Linking supplier approvals to the supplier rating and supplier performance evaluation
- Annual review of the matrix by the head of procurement and internal audit

Conclusion

The Delegation of Authority is a central governance instrument for procurement. It bindingly defines who may make which decisions and to what extent, thereby combining ability to act with control. It only becomes effective through clear matrices, functioning workflows, deputy rules and regular reviews. Companies that maintain and measure their DoA reduce risks, accelerate processes and create a clean basis for decisions and documentation. For technical buyers, it is therefore a fundamental prerequisite for professional, audit-proof procurement management.

Frequently asked questions

What does Delegation of Authority mean in procurement?

Delegation of Authority refers to the written governance rule defining which decision-making powers, in

particular approval and contractual authority, each person within an organisation holds. In procurement, it determines who may give binding approval for purchase orders, framework agreements or supplier commitments, and up to which value. It is an internal governance instrument and does not replace the commercial authority to represent the company externally.

How high should approval thresholds in procurement be?

There are no universally applicable values, as industries, company sizes and categories vary considerably. In practice, thresholds are tiered according to hierarchy: low amounts for the officer, medium amounts for the head of procurement, and high amounts plus framework agreements for executive management. It is important that thresholds are defined by category, reviewed regularly, and that the number of approval levels remains proportionate to the control benefit.

What belongs in a DoA matrix?

Typically, a DoA matrix contains roles and positions, assigned amount- or subject-matter authority, multi-stage approval rules, deputy arrangements and special rules for sensitive areas such as contracts, investments or quality commitments. In addition, references to functional approvals are included, such as quality approvals in the series release process or consents to the selection of delivery clauses. The matrix should be documented in writing and accessible to all participants.

How does Delegation of Authority relate to the four-eyes principle?

The four-eyes principle requires that critical decisions are reviewed independently by at least two people. The DoA defines which of these persons hold which roles and powers. The two concepts complement each other: the DoA defines the distribution of authority, while the four-eyes principle ensures mutual control within that distribution.

Who is responsible for the Delegation of Authority?

Formally, the executive management or the highest governing body issues the DoA and further delegates powers. In terms of content, it is usually designed jointly by procurement, finance, compliance and internal audit. Operational responsibility for keeping it up to date, training and process anchoring frequently lies with the head of procurement in coordination with controlling.

How often should the DoA be reviewed?

Common practice is an annual review of the complete matrix. In addition, an adjustment should be made promptly in the event of reorganisations, changes in management, system migrations or material changes to the procurement profile. Findings from internal audits or supplier evaluations can also be grounds for unscheduled adjustments.