

Procurement Controlling: KPIs, Processes and Steering of Procurement Success

Procurement controlling refers to the systematic planning, steering and monitoring of all procurement activities based on defined KPIs and processes. It forms the bridge between operational procurement and the financial and strategic steering of the company. Buyers and supply chain managers use it to reduce costs, identify supplier risks and continuously verify supply quality. Without functioning procurement controlling, procurement's contribution to business success remains largely invisible.

Key facts

- Procurement controlling encompasses the planning, steering and monitoring of all procurement processes with quantifiable KPIs.
- Typical steering metrics include savings ratio, supplier performance, inventory levels and payment term adherence.
- It connects operational processes such as Source-to-Contract (S2C) and Purchase-to-Pay with the company's strategic objectives.
- Common benchmarks applied in practice include savings of 2–5 % per year on total procured volume.
- The use of ERP data, business intelligence tools and standardised reports is now the common standard.
- Procurement controlling reduces supply, cost and compliance risks and makes procurement performance measurable.

Definition: Procurement Controlling

Procurement controlling is the sub-discipline of procurement management concerned with the goal-oriented planning, steering and monitoring of procurement. It provides management-relevant information on costs, volumes, suppliers and risks and supports decisions at both operational and strategic level.

Distinction from pure reporting

Procurement controlling goes well beyond simple reporting. While conventional evaluations merely document what has happened, controlling analyses root causes, derives recommended actions and sets measurable targets for upcoming periods. It thereby actively steers processes such as Source-to-Contract (S2C) and Purchase-to-Pay instead of merely compiling figures retrospectively.

Tasks at a glance

Core tasks include defining procurement objectives, deriving KPIs, regular target-versus-actual analysis and preparing decisions for management. This is supplemented by monitoring contract and price compliance, reviewing inventory values and assessing supplier risks. In practice, procurement

controlling is often integrated into a central controlling department or performed by a dedicated controlling buyer.

Methods and approach in procurement controlling

Sound procurement controlling follows a structured cycle: set targets, measure KPIs, analyse deviations, initiate measures. The methods range from simple spend analyses to complex cost models and supplier evaluations.

Spend and demand analysis

The foundation is usually an analysis of procured spend by material group, supplier and cost driver. A material group hierarchy allows procurement volumes to be consolidated and clusters to be identified where consolidation potential exists. On this basis, it is decided whether single sourcing, multiple sourcing or a framework agreement is the appropriate procurement strategy.

Target agreements and planning

Targets derived from the analysis – such as savings ratios, payment term improvements or inventory reductions – are bindingly defined as part of annual procurement planning. Typical target values in practice are savings of 2–5 % per year on addressed spend, with the magnitude strongly dependent on market conditions and the starting level. Targets are cascaded down to buyer and material group level to assign responsibility clearly.

Process and contract control

Alongside strategic analyses, procurement controlling monitors compliance with defined processes: Are orders processed via framework agreements, are price and condition agreements adhered to, and are framework agreement maintenance and parameter maintenance (MRP) up to date? Deviations – such as bypassed order thresholds or outdated master data – are identified and discussed with the responsible buyers.

Key KPIs in procurement controlling

KPIs are the heart of procurement controlling. In practice they must be measurable, tracked by period and explainable to management. A sensible KPI set covers costs, supplier performance, inventory and process quality.

Cost and value drivers

The most widespread KPIs include the savings ratio against reference prices or prior-year prices, the ratio of procurement volume to material costs, and the price variance per material group. The share of orders placed in compliance with agreed terms and conditions and the development of volume discounts in procurement are also common steering metrics. It is important that savings are methodically substantiated, for example as price, volume or cost avoidance effects.

Supplier and supply KPIs

Delivery reliability is frequently measured using On-Time In Full (OTIF), while the complaint rate reflects the quality of delivered goods. In addition, supplier evaluations based on quality inspection and delivery performance provide an integrated view. In the event of supply bottlenecks, the number and volume of emergency orders and emergency management also show how stable the procurement processes

actually are.

Process and financial KPIs

On the process side, cycle times from purchase order to invoice posting, Payment Term Adherence and the punctuality of the payment run are common measurement metrics. The inventory value of procurement, capital tied up and material turnover rates also belong in holistic controlling. For services and manufacturing supply parts, KPIs on material compliance and the on-time delivery rate of order processing complete the picture.

Risks and controls in procurement controlling

Procurement controlling is also a risk management instrument. It uncovers supply risks, cost risks and compliance risks and ensures that internal controls operate effectively.

Supply and supplier risks

Dependencies on individual suppliers, supply shortages of critical materials and the risk of obsolescence for electronic components or long-lived capital goods are among the typical risks. Procurement controlling monitors relevant indicators here, such as delivery punctuality, single-sourcing shares and failure probabilities. Concepts such as onshoring or diversification of the supply base are evaluated and steered on the basis of this data.

Compliance and quality controls

Legal and normative requirements – for example on material compliance, documentation of inspection equipment management or evidence retention in quality inspection – must be anchored in controlling. Compliance with framework agreements and the correct handling of secondary offers or options in tenders are also subject to control. Violations can have legal and financial consequences; the specific assessment should be carried out on a case-by-case basis with the legal or compliance department.

Internal controls in Purchase-to-Pay

In the Purchase-to-Pay process, procurement controlling safeguards the following controls: the separation of ordering and invoice approval, verification of supplier master data, checks for duplicate payments and adherence to payment terms. Unusual patterns – such as frequent complaints or repeated emergency orders – are early warning signals that should trigger further analysis.

Current developments in procurement controlling

Procurement controlling is changing noticeably: digitalisation, greater market volatility and growing sustainability requirements are changing both the tools and the questions that need to be answered.

Automation and real-time data

Modern ERP systems and business intelligence solutions now provide near real-time data on inventory, open purchase orders and supplier performance. This reduces manual effort and enables faster steering decisions. The use of AI in analysing large volumes of data – for example to detect price anomalies or predict delivery delays – is also increasingly common in practice.

Sustainability and supply chain transparency

Rising regulatory requirements for supply chain documentation and sustainability are expanding the

scope of procurement controlling. KPIs on supply chain risks, recyclability assessment of materials used and documentation of inspection processes are gaining importance. The specific legal obligations vary depending on company size and market; a case-by-case review by the legal or compliance department is recommended.

Resilience and flexible procurement

The experience of recent years shows that supply chains react sensitively to disruption. Procurement controlling supports the build-up of resilience by evaluating alternative suppliers, safety stock and logistics concepts such as the milk run. Obsolescence management and the systematic stockpiling of critical materials are also steered on the basis of controlling data.

Typical metrics

Savings ratio: typically 2–5 % p. a. on addressed spend

measure against clearly defined reference prices; dependent on market conditions and starting level

On-Time In Full (OTIF): > 95 %

common benchmark for reliable suppliers; below 90 % indicates process problems

Complaint rate: < 1 % of order lines

frequently targeted value in practice; depends on material group and industry

Payment Term Adherence: > 98 %

share of invoices paid on time; deviations can strain supplier relationships

Emergency order share: < 3 % of order volume

typical benchmark; high values signal unstable planning or procurement processes

Practical example

A mid-sized mechanical engineering company with a procurement volume of around EUR 45 million introduced structured procurement controlling after management found itself unable to trace procurement's contribution. The starting point was a spend analysis with a material group hierarchy across all sites, which revealed clearly identifiable consolidation potential. Building on this, target systems per buyer, monthly KPI reporting and quarterly supplier evaluations were established.

- Introduction of a monthly KPI report covering savings ratio, OTIF, complaint rate and Payment Term Adherence
- Consolidation of die-cast parts across multiple sites into a framework agreement with tiered volume discounts in procurement
- Establishment of an early warning indicator for emergency orders and emergency management to measure process stability
- Regular review of framework agreement maintenance and parameter maintenance (MRP) to ensure clean master data

Conclusion

Procurement controlling turns procurement data into decision-relevant steering information and makes procurement's contribution to business success visible. It connects operational processes such as Source-to-Contract (S2C) and Purchase-to-Pay with strategic objectives and provides the foundation for supplier strategies, risk management and cost reduction. Procurement controlling succeeds when KPIs

are clearly defined, consistently tracked and linked to concrete measures. Companies that work systematically in this area respond faster to market fluctuations and reduce both supply and cost risks. For technical buyers and suppliers, solid procurement controlling is therefore not optional but a key competitive factor.

Frequently asked questions

What is procurement controlling and what are its tasks?

Procurement controlling encompasses the systematic planning, steering and monitoring of all procurement activities based on key figures. Core tasks include defining procurement objectives, spend and cost management, supplier evaluation and early risk detection. It provides management with transparent figures on the procurement contribution and supports both operational and strategic decision-making.

Which KPIs are common in procurement controlling?

Typical KPIs include the savings ratio, On-Time In Full (OTIF) as a measure of delivery reliability, the complaint rate, the inventory value of procurement and Payment Term Adherence. In addition, Purchase-to-Pay process times, single-sourcing shares and the volume of emergency orders are evaluated. It is important that every KPI is clearly defined and tracked on a period-by-period basis.

How do you set up procurement controlling in an SME?

In practice, setting up procurement controlling starts with a spend and commodity group analysis, from which the relevant cost and risk drivers emerge. This is followed by defining a lean KPI set and regular reporting, often initially in Excel or directly in the ERP system. Supplier evaluations, contract controlling and early risk detection are then added step by step.

What is the difference between procurement controlling and procurement controlling software?

Procurement controlling is the function and method, whereas software merely provides the tool for data collection and analysis. Many tasks can be handled with standard ERP functions and simple analysis tools, especially in SMEs. What matters is organisational anchoring with clear responsibilities, objectives and regular review cycles – not the use of a specific system.

How do you measure procurement savings correctly?

Savings should be measured against a clearly defined baseline, such as prior-year prices, list prices or binding target costs. It is common practice to distinguish between real price reductions, volume effects such as volume discounts in procurement, and cost avoidance, i.e. averted price increases. A transparent methodology and traceable documentation are essential to ensure the figures stand up to scrutiny by management.

What role does procurement controlling play in risk management?

Procurement controlling identifies supply, cost and compliance risks at an early stage by continuously monitoring supplier performance, dependencies and process deviations. Early warning indicators such as declining OTIF values, rising complaint rates or frequent emergency orders highlight problems before they become business-critical. On this basis, measures such as multiple sourcing, safety stock or onshoring can be implemented in a targeted manner.