

Member Communication Experience

Perfect Your Materials Procurement Process

Written by: Maria Davidson, CEO and Founder, Kojo

After working with thousands of contractors to improve their procurement and materials management processes, Kojo recognized a pattern among those experiencing exceptional growth and resilience in the face of challenges like supply-chain disruptions and inflation. The company analyzed what these top-performing contractors were doing differently from start to finish and compared results with other contractors.

Experience showed that the best-in-class contractors had simplified their procurement process into seven basic steps, employing standardized tasks as well as implementing technology. Efficiently completing one step made the following steps simpler and, hence, more efficient as well. This matriculating efficiency had a positive compounding effect, which led to jobs getting done on schedule, on budget, and with fewer overhead costs.

Unfortunately, many contractors lack a standardized procurement process. According to a 2021 survey conducted by the Construction Financial Management Association, only 39% of contractors reported having a formal procurement process in place.

By implementing a standardized seven-step procurement process, contractors can save on materials cost, increase productivity, streamline efficiency, and make better business decisions.

Step 1: Planning

Planning may sound rudimentary, but this practice can vary



amongst contractors. Companies that lack an organized, well-constructed plan for what materials they need, how they're going to procure all the materials needed on the job before the job starts, how much the materials will cost and how they will pay for those materials will fall behind their competitors. Thorough planning is imperative to make each of the other steps simpler and set the entire project up for success.

A study by McKinsey & Company found that construction projects are often delivered up to 80% over budget and 20 months behind schedule due to inefficiencies in planning and execution. But when great planning is implemented, the entire project is set up for success. It makes executing every future step simpler.

Sitting down with your project managers, major stakeholders, and/or other team leaders will help not only expedite the planning process but also fill holes in the plan that one team leader might have missed over another.

Step 2: Sourcing

The second step in improving materials procurement is sourcing, which entails gathering relevant information to determine what materials you should buy, when you should buy them, and from whom. If you have a thorough plan in place that encompasses input from all team leaders, this step should run smoothly.

However, a survey conducted by Dodge Data and Analytics revealed that while 81% of contractors request quotes at some stage of a project, many of them don't have a structured approach to sourcing the quoted materials. Effective sourcing is critical for managing material costs. Acquiring more than one quote from more than one outlet, and comparing pros and cons of each will help contractors find the best materials source.

Step 3: Purchasing

Once specific materials and sourcing outlets are determined, the third step is purchasing, which ensures that the purchasing orders are created and tracked in an efficient manner. The goal for this step is to reduce overhead costs while ensuring that all purchasing data is accurate and up to date at all times.

According to a recent study by Fails Management Institute, when contractors optimize their purchasing processes, they can see a reduction in procurement costs of up to 25%. With that, it's essential to approach this step strategically and implement best practices for your company and its specific projects. Some best practices may include automation and/or digitization.

Step 4: Requesting

Better materials requesting is the fourth step to improving the procurement process. This plays a critical role in ensuring that the jobsite receives the right materials at the right time, without compromising speed or accuracy.

Gartner reports that digital procurement solutions can cut processing time by up to 85% and reduce costs by up to 45%. Some of them can show a detailed approach all the way from structuring a project framework agreement to a

detailed workflow to a digital approval and storing reports and analytics in a shared database. To become a top-performing contractor, mastering the digital requesting process is essential – and simpler than it might seem.

Step 5: Receiving

The fifth step in the procurement process is receiving, which involves logging deliveries to the jobsite and warehouse with essential information to track inventory, record delivery issues, and maintain a historical record of materials delivered by vendors. To avoid issues later in the procurement process, it's vital to have a streamlined receiving and recording process that can promptly relay this information back to the office for further management and bookkeeping. Again, digitization and automation can play an important role in not only storing but also sharing and updating information.

Additionally, this information would serve as a historical record for project managers, accounting managers, purchasing managers, and vendors in case of discrepancies during the project or after completion.

Step 6: Invoice Matching


Unfortunately, mistakes on invoices are prevalent, with as many as 11% of invoices containing errors that can lead to overpayment. Because of that, it's essential to establish an invoice-matching practice of comparing your invoices with the original purchasing orders and delivery receipts to catch billing errors and prevent overpaying. Traditional three-way invoice-matching processes have been notoriously manual and time-consuming, which is why it's important to implement technology to automatically compare, which enhances accuracy and reduces time-consumption, setting yourself up for the last step in the procurement process.

Step 7: Payments

The final step of the procurement process is payments. This step encompasses optimizing pre-payment workflows and

approval processes, determining when and how to pay invoices, selecting appropriate payment methods, and ensuring the security of payment data. Mishandling this step can lead to late payments, missed discounts, and/or inaccurate data, all of which can cause significant financial and relational setbacks. By mastering secure and accurate payment methods and effective cash-flow management – increasingly done so by embracing and employing technology – contractors can unlock the full benefits of optimized payment processes and establish themselves as top performers in the industry.

Next Steps

It's important to reevaluate your current procurement practices and assess areas of strength and potential weakness in order to improve. Business, technology, and methods will continue to evolve, so contractors must learn to do so as well in order to continue to perfect not only their procurement process but their entire project management process as well. 



About the Author

Maria Davidson is the CEO and founder of [Kojo](#).

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