Process:	*Creation of a purchase order*

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Process Scope

This procedure describes the creation of a purchase order; what is part of the Procure to Pay flow.

The forecast expert receives the sales forecast (xls) from the local countries & creates a demand plan based upon several criteria. The demand plan is communicated to the supply planners. The supply planner will then enter new purchase orders into the system based upon this demand plan.

This purchase order can be created for several purposes:

- The purchase of a finished product from a supplier.
- The purchase of a bulk product from a supplier.
- The purchase of an active ingredient (AI) from a supplier.

A created purchase order needs to be linked to a corresponding approved PA. This agreement will stipulate the agreed volume that can be bought in a certain period from a specific supplier, at a specific price for this product.

If there is no approved PA or the volume of the PA is exceeded or is no link with an active TA, an additional approval step needs to be performed manually by a member of the procurement department. (This also includes supplier relations and the local country manager).

Once the approval is successfully granted, the supply planner will see the new approval status of his order once a refresh is performed.

Finally, the supply planner can confirm the purchase order and send the purchase order confirmation to the supplier (via D365).

The supplier will reply with feedback about the expected delivery date of the purchase order. (The supply planner adapts the expected confirmed delivery date in D365).

Process Visualization
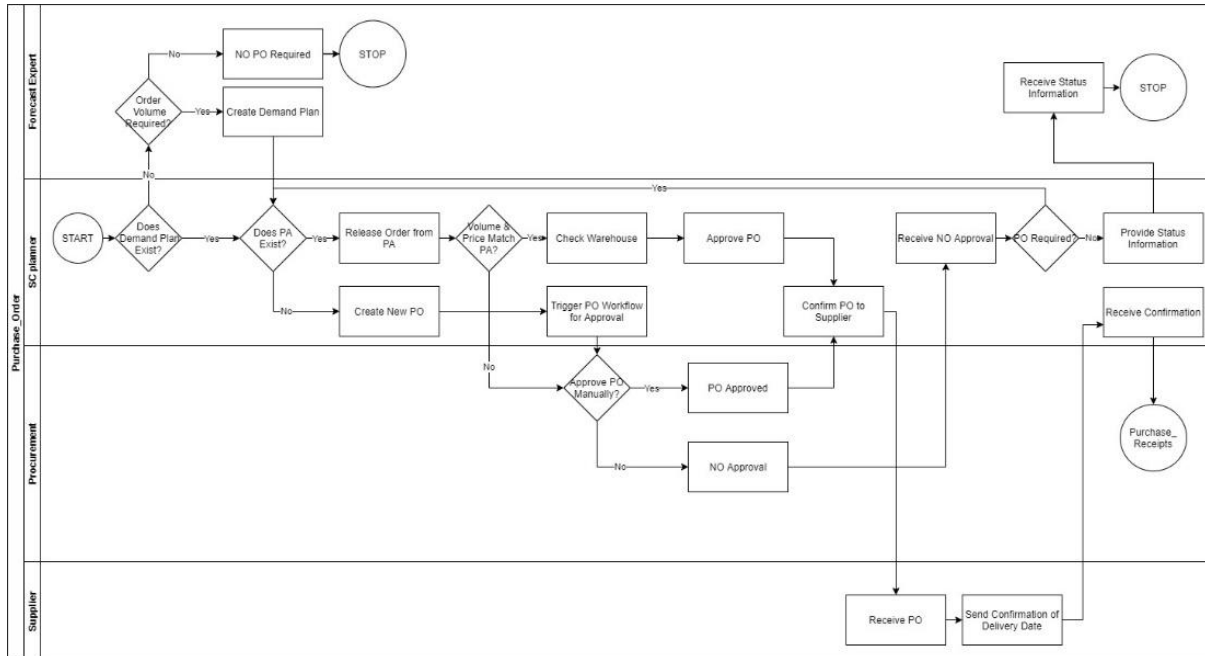
Purchase_Order_V2

Process Steps

Step 1: Receiving demand plan volumes

The supply planner will initiate the process of PO creation.

First, the planner will verify if a demand plan (Ellen, the forecast expert produces this plan) exists with all the necessary information to enter the purchase order.

If there is not a demand plan yet, the forecast expert would verify if this requested volume from a local country or another stakeholder can be ordered. If this volume is needed or acceptable, the forecast expert will provide a demand plan. If the volume is not required, the forecast expert will issue a 'No PO required' message to the requesting party. The process stops here.

Link to work instruction "WI Step 1"

Step 2: Verify existing Purchase Agreement

Before entering a new purchase order, the supply planner needs to verify if there is an approved PA for the supplier from which he wants to order the products.

If an approved PA can be found, the planner can link the purchase order to this agreement and will already receive some fields predefined. *See step 3a/3b*
If no approved PA can be found, the planner can enter a purchase order manually and needs to ask an approval from the procurement department through the workflow process. *See step 4a/4b*

Link to work instruction "WI Step 2"

Step 3a: Purchase agreement exists – release order

The supply planner finds a PA for the supplier from which he wants to order some products.

In this agreement the planner can find an overview of all products related to this supplier for which there are volumes and prices negotiated.

Once the planner releases the purchase order, the products that need to be purchased can be chosen. The following fields need to be filled in:

- Requested delivery date.
- PO quantity.

A check of the default warehouse mentioned in the PA is also required to make sure that the order will be delivered to the correct location (Belchim warehouse).

The ordered quantity will be deducted from the negotiated contract volume. D365 will show the remaining order quantity still open on that PA.

Link to work instruction "WI Step 3a"

Step 3b: Purchase agreement exists – approve purchase order

Once the purchase order is created the approval workflow will start.

If the order volumes are within the agreed volumes of the PA and the prices match with the PA, the workflow will automatically approve this order.

Approved status will be communicated towards the supply planner by a notification message in the action center of D365 (also to the initiator of this purchase order).

If the planner modifies the price in his purchase order (a local entity can negotiate different local prices from the HQ negotiated prices), the approval will not happen automatically.

Procurement will receive the approval request for this order and needs to verify manually if they agree with this adjusted price. Also, for order quantities that exceed the approved PA volumes, manual approval needs to happen by the procurement department.

This approval can be given by different users depending on the responsibility matrix (e.g. Procurement for tollers; Supplier relations for 3rd party supplier and the country managers for locally owned suppliers can give their approval for their specific responsibility).

If a planner modifies after the approval activity some data in the order (ex. Price, quantity, delivery date) a re-approval is needed.

Link to work instruction "WI Step 3b"

Step 4a: Purchase agreement does not exist – manual purchase order

If the planner does not find a PA for the supplier from which he wants to place the purchase order, a purchase order must be created manually. The planner will create a PO manually in D365. D365 will check in the background is there is already a TA made and active for the entered product. If this is the case the purchase price will be shown automatically on the entered purchase orders. If there is no link that can be made with a TA; the SC planner will enter manually also the purchase price of the selected product(s).

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This method is more labor-intensive and is more likely to make mistakes. Therefore, step 3 with a PA as starting point will have the preference.

Link to work instruction "WI Step 4a"

Step 4b: Purchase agreement does not exist – approve manual purchase order

Once the planner has manually entered the purchase order, he can launch the workflow approval action.

When a TA is linked towards this PO, the PO will be approved automatically through the workflow. When there is no link between the TA and the PO, Procurement will receive a notification to check manually if they want to give approval for this order. Once the approval is granted, the planner can continue the ordering process.

If this approval is denied the planner can verify the reason for denial and modify the purchase order if needed. In fact, the planner will re-start the P.O (Purchase Order) creation from the question 'Does the PA Exist?'

The planner can also inform the forecast expert of these denied volumes (No Approval message). Like this the forecast expert can review the Forecasted volumes again and align this with the required volumes.

Link to work instruction "WI Step 4b"

Step 5: Confirmation of Purchase order

Once the PA check is successfully passed the purchase order is created and approved and the planner can confirm the purchase order to the supplier.

Within this step the purchase order can be send straight from the ERP system towards the supplier or can be send as an attachment from the mail server (in case the planner wants to add more explanation or details to the supplier).

The supplier will receive this order and will reply with an expected delivery date to the planner. The planner adapts D365 accordingly.

Link to work instruction "WI Step 5"

Process Responsibilities

	Forecast expert	Supply chain planner	Procurement Clerk	Supply chain Manager
1) Receiving Demand plan volumes	R	I	I	A
2) Verifying existing purchase agreements		R	C	A
3) a. PA exists – release order	I	R	C	A
3) b. P.A. exists – approve PO		C	R	A
4) a. P.A. doesn't exist – manual PO	I	R	C	A
4) b. P.A. doesn't exist – approve manual PO		C	R	A
5) Confirmation of PO	I	R		A

Exceptions

- Locally managed vendors will be contracted with a TA.
- The responsibility for the management of local vendors is not Procurement HQ but the local country manager. (Refer to Manage Purchase Agreements/Trade Agreements).
- This process does not count for transformation or initiating production orders. (Refer to Manage Transformation Orders/Initiate Production processes).

Control points

- Purchase orders cannot be issued without a PA or without an additional manual approval by Procurement.
- All ordered volumes are covered with the volumes from the demand plan that are approved by the Sales Directors & Supply Chain director.
- No purchase order can be made with a price different from the agreed prices in the contract or manually approved by Procurement.
- Procurement is aware of the ordered volumes before they are sent to the supplier.
- Supply Chain is aware of the quantities and prices that are agreed before an order is entered.

Definitions & Abbreviations

PO: Purchase order
PA: Purchase agreement
TA: Trade Agreement

Associated Tools & documents

N/A