The cost of slow purchase approvals

A multi-site manufacturer turning over £8M a year, approving purchase orders by email across five approvers and 40 active suppliers. Nothing is visibly broken — the orders get approved, the suppliers get paid — which is exactly why the leak survives. Here is where the money actually goes, with every calculation shown.

VERTICAL	REVENUE	TEAM	SUPPLIERS
Multi-site manufacturing	£8M / yr	5 approvers, 2 buyers	40 active

STACK
Email approvals + accounting package + spreadsheets

WHERE THE MONEY ACTUALLY GOES

Chasing approvals ≈ £42,000

- 2 buyers × 5 hrs/week chasing = 10 hrs/week × 46 working weeks = 460 hours
- 5 approvers × 2 hrs/week reconstructing context before signing = 10 hrs/week × 46 weeks = 460 hours
- site supervisors re-raising and re-sending stalled requisitions: 2 hrs/week × 46 weeks = 92 hours
- total ≈ 1,012 hours, call it 1,000 hours a year, at a loaded cost of £22/hr → £22,000
- plus cycle-time drag: the published median requisition-to-PO time is 55 hours, this operation runs ~5 working days; the extra lead time absorbed as buffer stock and schedule slip, charged at 0.25% of £8M turnover → £20,000

≈ £42,000 a year — paid in salaries that would be paid anyway, so it never appears as a cost.

Expedite and rush fees on late orders ≈ £28,000

- ~1,200 purchase orders a year across 40 active suppliers
- about 12% go out late enough that delivery must be pulled forward → 144 orders
- standard inbound freight on those orders averages £320; expedited premium at 45% (mid-point of the published 30–60% expedited LTL range) → +£144 per order
- 144 × £144 = £20,736
- plus ~12 genuine emergency movements a year (next-day dedicated or air) at ~£600 premium each = £7,200
- £20,736 + £7,200 = £27,936 — cross-check: 0.35% of £8M turnover = £28,000

≈ £28,000 a year — filed as a freight problem, caused by an unread email.

Maverick spend and missed supplier terms

≈ £22,000

- purchasing spend (direct and indirect) at ~40% of turnover = £3.2M
- off-contract, unapproved buying at 2.5% of that spend = £80,000, at a 15% price premium → £12,000
- suppliers offering early-settlement terms cover ~25% of spend = £800,000
- discount missed on 60% of that value because the chain ran late = £480,000 × 2% → £9,600
- £12,000 + £9,600 = £21,600 — cross-check: 0.275% of £8M turnover = £22,000

≈ £22,000 a year — a lapsed discount is never recorded anywhere, so nobody misses it.

TOTAL, PER YEAR

£92,000

What closing it looks like

→ The chase disappears, not the approval: thresholds still apply, but they run in one visible queue instead of five separate inboxes.

→ Approvers stop investigating: the request arrives with supplier, last price paid, budget position and requesting site attached, so signing takes seconds.

→ Expedite fees stop being routine: when orders leave on the day they were raised, the standing 12% expedite rate collapses to the genuine emergencies.

→ Off-contract buying loses its excuse: a supervisor who can get a same-day approval on his phone has no reason to walk into a trade counter, and negotiated prices actually get used.

→ Not a full ERP and not a procurement suite — a right-sized operations system fitted to the actual approval flow and the accounting package already in use, owned outright.

→ Payback, honestly: against a £92,000 annual leak the fix typically pays back inside the first year, usually on the chase time alone — but only if the thresholds are enforced afterwards. A system nobody follows recovers nothing.

THE ASSUMPTIONS BEHIND EVERY FIGURE

- Loaded labour cost of £22/hour — ONS ASHE April 2025 median full-time hourly pay excluding overtime of £19.67, plus employer National Insurance and pension. Substitute your own.
- 46 working weeks a year, allowing for holiday and bank holidays.
- ~1,200 purchase orders a year, with about 12% leaving late enough to need expediting.
- Expedited premium of 45% on £320 average inbound freight — the mid-point of the published 30–60% expedited LTL band, not the higher dedicated or air bands.
- Purchasing spend at 40% of turnover; 2.5% of it off-contract at a 15% price premium; 25% of spend with suppliers offering 2%/10-day settlement terms, with the discount missed on 60% of that value.
- Cycle-time drag charged at 0.25% of turnover against a published median requisition-to-PO time of 55 hours.
- Source figures published in US dollars are converted at approximately 1.33 dollars to the pound and marked (converted).
- Figures are rounded and illustrative. They describe a representative operation of this size, not a named client.

How to read this. This is a worked example of a representative operation — not a named client. Every figure above is a transparent calculation, shown so you can substitute your own numbers and argue with the result. No testimonials, no invented results.

Run it against your real numbers.

The free Operations Leak Audit does this exercise on your actual operation: where it leaks, what that costs, and what closing it would involve. No commitment — you keep the findings either way.

Book a free Operations Leak Audit

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