

6 steps to a more mature procurement function

Investors focus heavily on cost management, vendor relationships, and risk mitigation when evaluating a lab's procurement processes. Here's how to address these areas effectively, adapted from the Procurement Growth Model evolution framework:

Step 1: Determine your procurement baseline

1. Do you have a clearly communicated purchasing policy?
2. Is there a standardized procurement process?
3. Do you track committed spend in one centralized system?
4. How efficient is your accounts payable (AP) process?
5. Are invoices matched with purchase orders?
6. Can you accurately forecast your cash flow needs?

Step 3: Determine pricing negotiation strategy

A. Leverage a [lab supply marketplace](#)

This saves time and money through pre-negotiated contracts and consolidated billing. It also simplifies cash flow management and reduces AP overhead.

B. Negotiate directly with suppliers

Leverage your spend to find cost-saving opportunities and extend payment terms, improving cash flow management.

C. Combination of both

Use a marketplace for routine purchases and negotiate key categories directly to better manage tail spend.

Step 5: Leverage spend visibility

You should be able to easily access:

1. A centralized place to track all spend (not just lab supplies).
2. Real-time access to committed spend.
3. Visibility into upcoming invoices and payment schedules.
4. Detailed spend data per experiment or project.
5. Historical spend data to aid in forecasting.
6. Improved accrual reporting.

By following these six steps, your lab can develop a procurement function that not only supports operational efficiency but also builds trust with potential investors. A mature procurement system demonstrates that your lab has the financial discipline, risk management, and operational transparency necessary to secure funding and scale successfully.

Reach out to discover how ZAGEN0 can guide your lab through the key steps to transform your procurement function and build the investor confidence you need.

Step 2: Define the procurement process

1. How will purchases be initiated (email, procurement system, etc.)?
2. How will committed spending be tracked (POs and non-PO invoices)?
3. Who oversees purchasing?
4. Can parts of the process be automated to save time?
5. What metrics will track procurement efficiency?

Step 4: Strengthen AP controls

Follow these steps:

1. Centralize invoice capture.
2. Utilize OCR technology for automatic invoice processing.
3. Implement a centralized vendor setup system that collects essential documentation.
4. Use 3-way matching to verify that only approved invoices are paid.
5. Implement batch approvals and payment authorization controls.

Step 6: Implement strategic spend management

Mature procurement involves:

1. Clear budget allocations and tracking.
2. Optimized approval flows for spending decisions.
3. Maverick spending control and improved cash burn management.
4. Tracking vendor performance and negotiating better pricing through competitive marketplaces.
5. Ensuring vendor compliance with contractual and regulatory requirements.

