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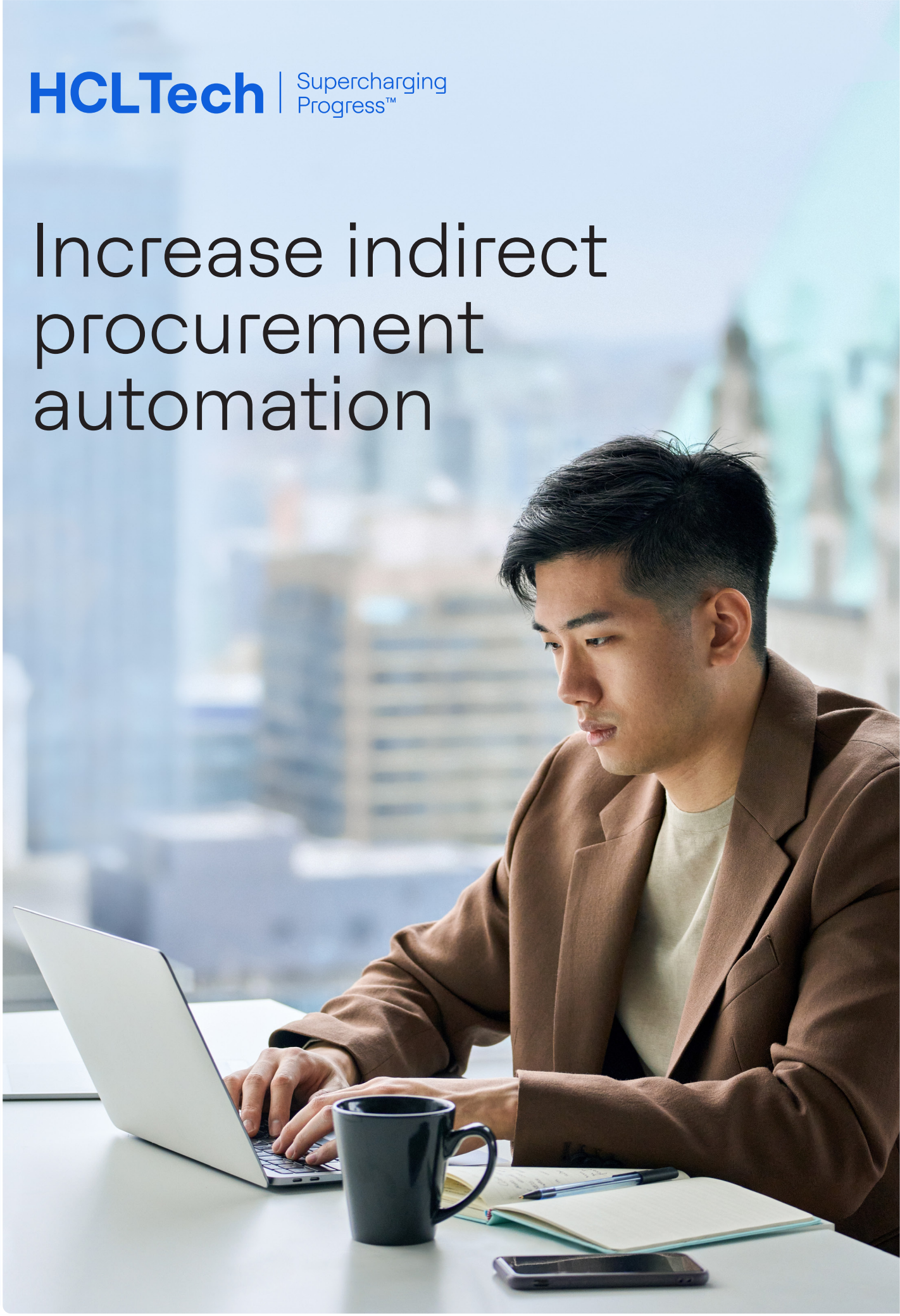
Increase indirect procurement automation



How to increase indirect procurement automation in your existing Ariba solution

What your system integrator didn't tell you

If you are a procurement manager or CPO (Chief Procurement Officer) that uses SAP SRM or Ariba for indirect procurement, your SAP implementation partner likely told you that the easy 'webshop'* user experience (*insert the name of a well-known shopping website here!) and use of online catalogs would make your users highly productive and enforce compliance to preferred vendors and contracts, giving you a strong ROI.

Sound familiar?

If so, I will assume (based on my experience) that, during the implementation, you probably weren't informed of all of the dependencies required to achieve these goals. You may feel there is room for improvement to help the user find what they want to order faster or with less scrolling, clicking or typing. Maybe you are also finding there is a lot of effort for buyers to check free text requisitions and assign the right vendor and price. If that is the case, be rest assured, you are not alone.

The good news is that it is not too late to optimize your existing SAP on-prem or Ariba solution to deliver the benefits you expected from your original implementation.

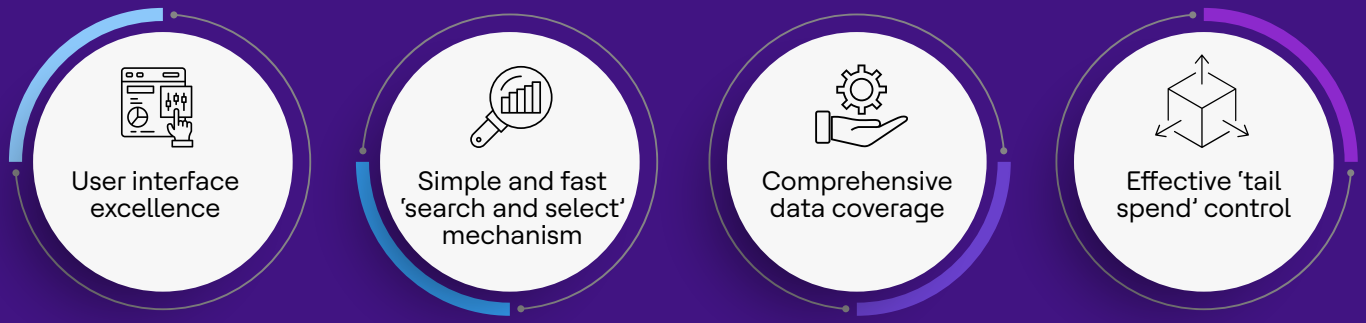
By increasing automation in indirect procurement, you will minimize effort from requisitioners and buyers in the requisition-to-order process and move toward a simpler, more streamlined end-user process with a higher degree of touchless processing. Our initial analysis shows manual effort from requisitioners can be reduced by as much as 70% and can lead to 95% or more contract and preferred vendor utilization per category of spend.

The usability of guided buying and coverage of procurement data is key

Here is the fine print your SI (System Integrator) should have told you at the start.

For users to easily access the complete and current catalog, preferred supplier and contract data, you need to have a simple and easy user interface alongside an effective mechanism to 'drill-down' or search by category or type of spend (e.g., goods, services, travel). Without these, the end-users will need to drag in a procurement team member or raise requisitions, which will require procurement to spend time reviewing and finding the right vendor and price to assign to the request.

To summarize, **if you want that optimized 'webshop' experience with high levels of contract compliance, you need to ensure:**



But if you want to really drive up your ROI — you need to increase the levels of automation.

Achieving optimization: Four points to address now

1 User interface excellence

SAP's user interface and processes have come a long way since the SAP R/3 days of the 90s — intuitive web-based user interfaces and simpler processes are now the norm. The SAP procurement user experience with Ariba solutions (and in particular, guided buying) is another world if you compare it to the old shopping cart screens in SRM (never mind the very old school SAP MM user interface some customers still use). Nowadays, it is expected that users should require very little or no training to be productive from the first logon, thus saving time and money with low training and end-user support costs.

While user experience is very important, it alone cannot achieve spend reductions across the enterprise. If users do not have fast and easily guided buying drill-down routes (via tile clicks), or a fast searching facility to enable quick and complete access to procurement datasets — whether that be contracts, preferred suppliers or detailed item and pricing information which catalogs provide, then they simply won't be able to find the right supplier and price for their requirement. As we all know, that will severely limit the savings your procurement processes can deliver.

2 Simple and fast 'search and select' mechanism

Your 'guided buying' portal needs to be designed so users can quickly find what they need and most importantly, feel happy using the system. Because if users are not happy or don't think the system helps them, they will order outside of the system — leaving you in a worst-case scenario of maverick buying without any control.

In our experience, one guided buying design does not fit all. To give a brief example, we have seen how different companies ask their users to buy in very different ways — even within the same spend category. When buying in the facilities management category, the purchasing route could be catalogs, a service requisition, blanket order or a combination of multiple buying routes. Often, guidelines need to be available on-screen or in a help document as a result.

It can be made more complex because some categories require requests to be vetted by a central team of experts or may require additional information to be entered by the requester. This can require the setup of commodity-level forms to be completed for purchases and for them to be routed to individuals or teams to vet

before continuing through the normal purchase requisition approval process.

There are also different bidding rules (for example: 'in bids and buy' policies) for a spend category from one customer to another, as spend can vary in importance from project to project based on volumetrics and the significance of that spend category to the business. These requirements need to be built into the system and the user informed.

We recommend that the guided buying 'paths' or 'routes' provided by the tile structure are considered carefully, as they are key to achieving the goals of maximum user productivity and enforced compliance. These paths can also be complimented nicely by policy messages showing error or warning messages when the type of request is not complete or compliant. The guided buying portal design is very important and one to concentrate significant effort on in design. It should be demonstrated to the client and subsequently built out and improved upon over time.

3 Comprehensive data coverage

Once the user has accessed the right route for their purchase, they need to have immediate access and visibility to the right suppliers and pricing to use through catalogs, contracts or preferred supplier lists for the type of good or service requested. In our experience, most SAP procurement customers do not have enough data on these available to their users and they often cannot find the right supplier for their purchase or a reference price for what they need. On many occasions, if there is a price it can also become outdated quickly.

This poses a significant challenge as the volume and accuracy of data required can be significant and data maintenance overheads to keep datasets up-to-date can be huge. To have all the catalogs, preferred vendors, category-specific forms and fields set up and kept up-to-date — is not easy. While Ariba procurement does have an easy way to configure tiles and forms in guided buying, getting the right contract and catalog data available for all categories of spend is still a big challenge, one which requires continual development and maintenance for support teams.

The priority should be to focus on the critical indirect categories for your business first. Focus on those that are ordered most frequently, carry the most risk or have the highest average order price. Users need to be able to find all of the required contracts, catalogs or preferred vendors for these categories, as they form the cornerstone of your business (and your business case).

Then there will be categories that are not deemed as important, which can be characterized by the use of many suppliers, each being used infrequently. We recommend you work with your support partner or administration team to address this.

This leads us nicely to...

4 Finally, focus on addressing the tail spend process

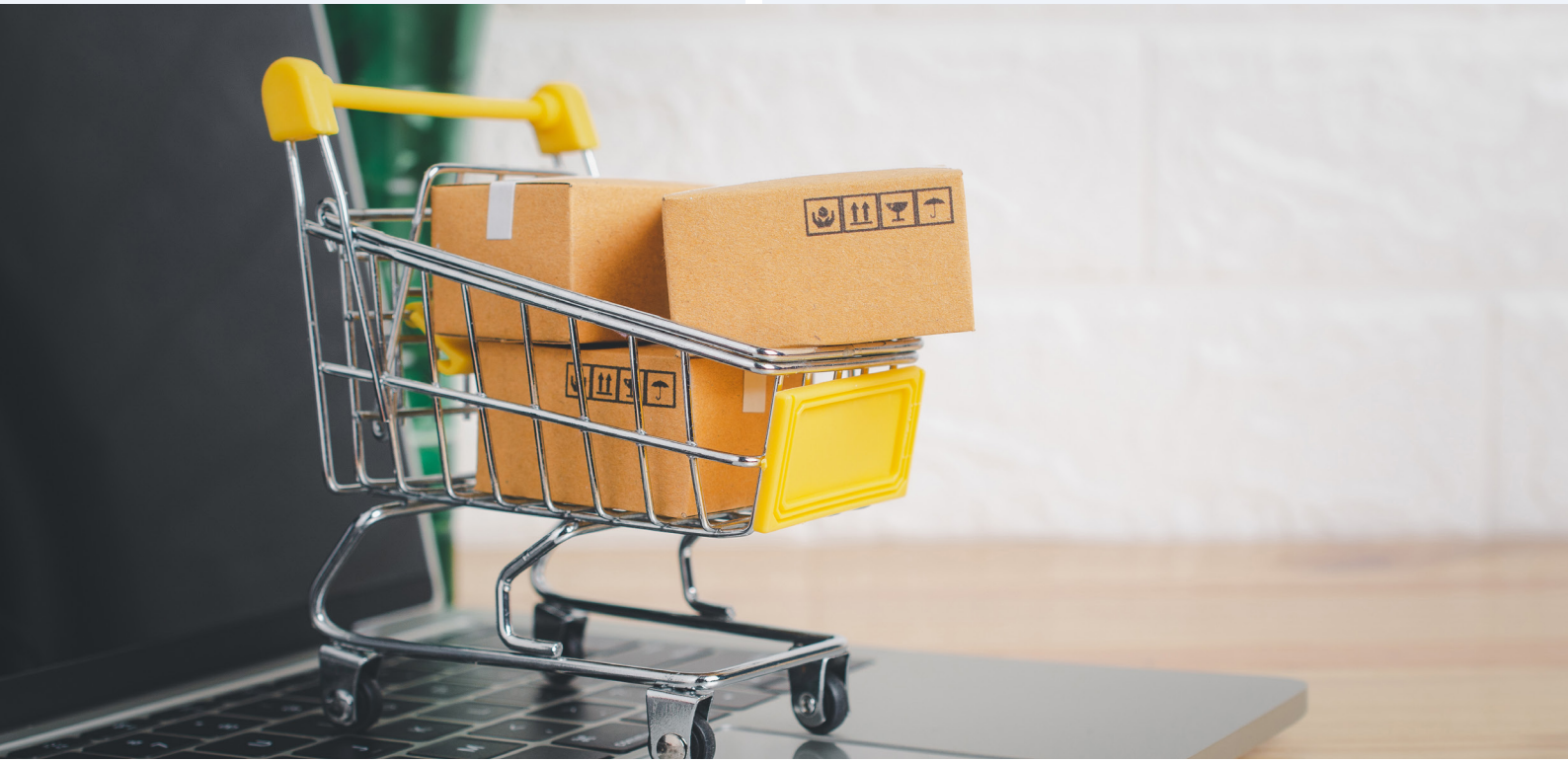
We know one of the main issues procurement leaders have is the proliferation of tail spend. Before continuing, it is worth describing tail spend as the term can vary inmeaning with different companies andthere is ultimately no referenceable or de-facto definition. I define tail spend as the expenditure with non-strategic suppliers, which is typically represented by high volume transactions with a low value.

These purchase requests are often described as 'free text' non-catalog items in the SAP system and usually do not reference a preferred vendor or contract. The user raising the purchase request may have no knowledge of preferred suppliers or previous company purchases for what

they require, so they select the vendor by trawling through the full list of all approved suppliers and often need to put a note to the buyer containing their thoughts on the vendor and estimated price.

The effort is then on the buyer to check for the right supplier and price. This effort, if multiplied by many requisitioners doing the same thing daily, can soon become a tremendous overhead for buyers forming the bulk of their workload. This can be a frustrating waste of manpower. When the information is there in previous PO history, you need to ask, could the system not manage this in a better way?

The answer is yes. We advocate experimenting with — and delivering — technological innovations to help requisitioners quickly find the right suppliers and price for tail spend. This is where it pays for you to think creatively and be innovative to achieve business savings.

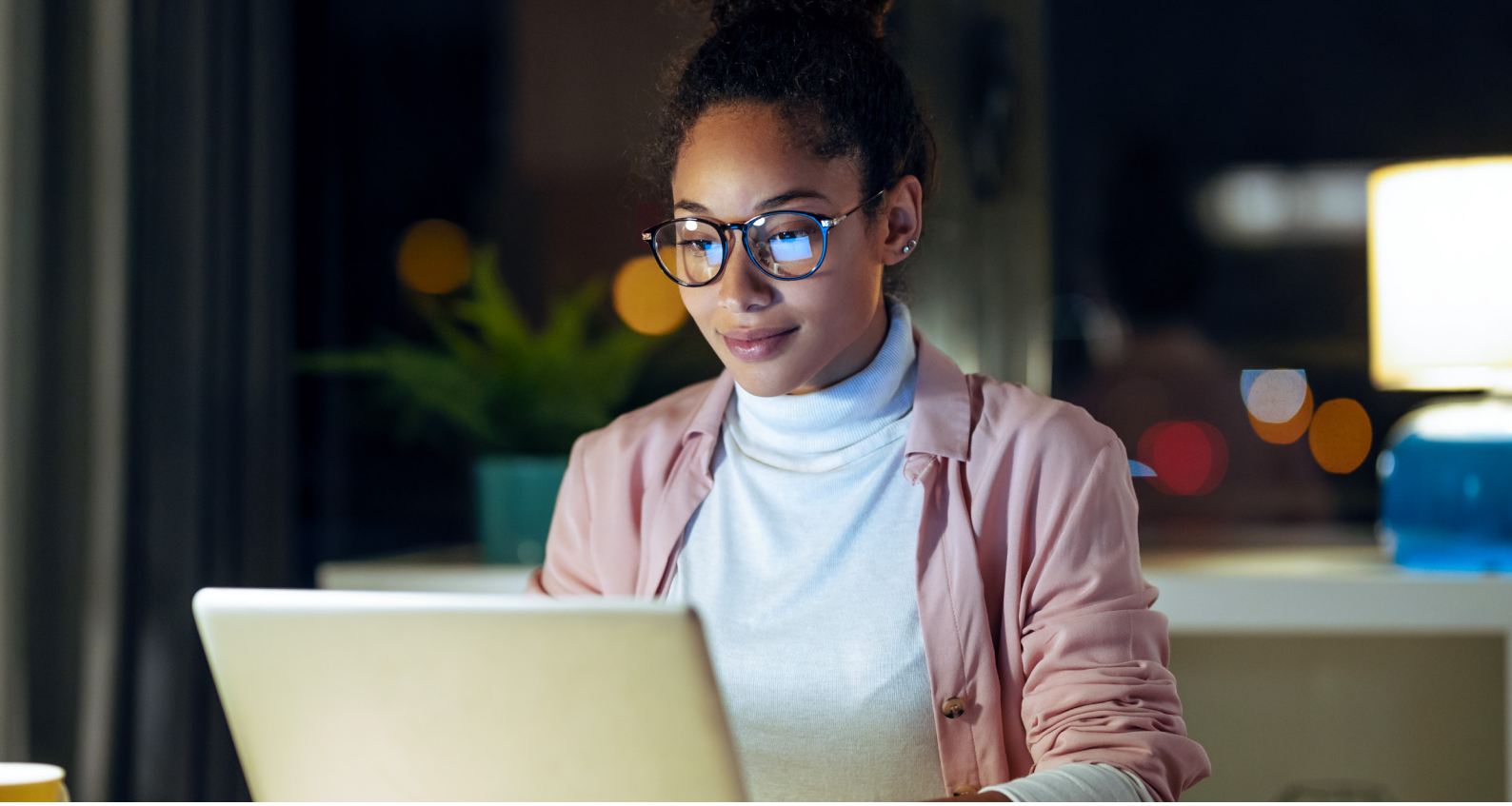


To innovate, think and act 'outside-the-box'

Rather than use 'out-of-the-box' SAP and Ariba features and functions, we suggest you extend the requisitioning process outside of SAP and Ariba and use different technological components to help requisitioners find suppliers and price details for non-strategic but high volume requests. Here, information can be gleaned from previous spend history and other data sources.

SAP Ariba solutions have a great many extensibility options today through the use of various open APIs, which are increasingly used by Ariba customers. Besides, RPA bots can be integrated into the Ariba landscape to extend, simplify and automate the procurement process. The new integration and extensibility possibilities have removed the traditional boundaries customers and partners were used to. We recommend you consider how you can leverage these new possibilities to generate real savings and effciencies in procurement.

You should start by mapping out the full end-to-end process and see where you have bottlenecks and also carry out market analysis to discover where other tools will help streamline and automate tasks. Look to use the standard SAP or SAP Ariba process as a starting point — and figure out where third-party tools can be integrated into the process to deliver the most value to your business.



Example 1: Controlling tail spend

Here is a prime example of where we see a strong business case and realistic implementation opportunity for operational savings for indirect procurement.

You can leverage the existing keyword search feature in Ariba guided buying for contracted suppliers with catalogs for tail spend. You could have a tile easily configured from within guided buying to take the user to an external tool or system, where they can perform a simple search on a data lake or analytics platform to have the right vendor and price suggested to them. This user experience can be comparable to searching in catalogs, but instead for non-strategic tail spend purchases.

This means the user would be able to search quickly and easily for strategic, contracted spend and then shift quickly and seamlessly to another screen to find the right vendor and price for tactical tail spend, using previous spend history as a starting point.

In addition to showing vendor and pricing details using historical analysis, the external tail spend application may be able to show you preferred and recommended supplier information, supplier risk, prior delivery or invoice performance metrics to help the requester make the most informed decision possible. It is also possible to leverage machine learning to recognize the user's decisions and adjust the supplier prioritization or request user inputs to adjust rankings. This opens the door to have technology do the work of the buyer for tail spend items.

Example 2: Third-party sourcing

Automating much of the requisition-to-order process can reduce the manual effort requisitioners are often forced to perform — practically eliminating buyer checking and updates for some categories of spend — allowing you to take your procurement operations to the next level.

One way to do this could be to pass purchase requisition or category-specific form details from SAP or Ariba to another tool for tactical sourcing if a third party sourcing application is required, as this can be the case for certain industry sectors. This can enforce the use of the required sourcing tool and any requirements for obtaining quotes, which often exist based on spend category and/or the expected value of spend.

The benefits gained from extending the process outside of SAP or Ariba can be tremendous. The integrated solution, underpinned by an Ariba or SAP procurement tool will drastically reduce the manual effort from the requisitioner in filling forms or typing information in various item fields. Besides, the responsible buyer(s) will not need to get involved at all in many cases for tactical purchases — providing huge time and effort savings.

Example 3: Secondary extensions

"Secondary extensions" simply refers to applying automation and innovation to system administration processes that support or enable your core business processes. These may start with one-time accelerators that save implementation time and effort and, in aggregate, produce significantly faster realization of ROI for the initial deployment or reduce costs for BAU fixes or feature releases or when introducing new users and data as part of an ongoing roll-out strategy.

For example, HCLTech has built an iRPA accelerator that we demonstrated at a recent SAP innovation event. The business problem was related to the fact that Ariba does not yet have a straightforward mechanism for migrating open purchase orders from legacy ERP to Ariba procurement. Ariba only has a requisition import utility, meaning that legacy indirect POs requiring migration must first be consumed as requisitions and then re-approved to create new purchase orders.

A recent client was faced with a situation where hundreds of POs were in scope for migration. Although this process could be automated using existing Ariba tools (e.g. a workflow rule to automate approvals on imported requisitions), the client was concerned about lacking a reference to the legacy PO number on the new PO. To have to edit each migrated requisition would have added days of manual effort — not to mention the risk of human error — to an already tight cutover schedule. If not done, it was feared that supplier confusion would produce time-consuming inquiries and negatively impact the order fulfillment cycle.

In response, HCLTech quickly designed an RPA-based solution able to execute the entire migration process with virtually zero human intervention or errors. Starting with an automated program to extract open PO data and apply it to the required Ariba import csv templates, the bot staged the files, ran the import process, edited each requisition to add the legacy PO number, then auto-approved each one, thereby releasing the PO. In the case of errors or warnings on any record(s), an automated email was triggered to the user running the job.

HCLTech also has experience and IP with a secondary extension to improve the BAU support function for a client looking to optimize a number of support processes related to user-based data within the system. One specific business problem centered around the heavy manual effort required to rectify open projects or transactions containing key owners or approvers that have since left the organization and been deactivated in the user master data. In such instances, the user needed to be replaced with their supervisor. In this example, HCLTech was able to create an automated solution using standard APIs connecting to both Ariba and the HR source system (in this case SuccessFactors).

The point is that such secondary extensions often require minimal effort and investment, yet are often not considered during project implementation or by support teams, thereby leaving potentially significant benefits on the table.

The bottom line: It is time to automate and innovate indirect procurement

There has never been a better time to automate and improve the indirect procurement process, given the tremendous pressures businesses have to improve their bottom line in our challenging economic climate. There has never been more opportunity within the SAP solution ecosystem to address this: the SAP and Ariba solutions offer more flexibility, extensibility and integration options than ever before.

In summary, make sure you address the points below in your existing system to maximize the value of your existing SAP and Ariba investments:

User interface excellence

Simple and fast 'search and select' mechanism

Comprehensive data coverage

To address the first two, focus specific time and effort to optimize your solution by understanding the differences and importance of each category in scope for indirect purchasing. Use Ariba-guided buying if possible (as a buying portal above an Ariba or SAP S/4HANA system of record) and design the right layout and drill-down paths. Consider using custom forms for the categories of spend where deviations from a typical requisition creation process are required.

Once you have the first two worked out, focus on the catalog, preferred supplier and contract data coverage per category of spend, so that it is available in the solution for quick search and selection by the users. There is a lot of data to cleanse and load and the ongoing maintenance will require support overhead, without comprehensive data coverage the system will be imposing a lot of manual effort on requisitioners and buyers.

Finally to address tail spend, think 'outside-of-the-box' options to extend the process to an analytics tool or platform which can provide quick and obvious insights into suppliers and pricing-to-use based on historical spending and performance data. These insights and data need to be supported by other third-party data as needed to give the requisitioner information for non-strategic tail spend purchases. The manual effort for requisitioners and buyers will be drastically reduced, leading to a happier and more productive workforce in the procurement function.

This mindset can also deliver tangible benefits when applied to a support model through the delivery of secondary extensions. Innovations here can significantly help reduce operational costs and streamline the support process to minimize your run costs.

About HCLTech's SAP Practice

To get the best return on your digital investments, you need a partner that doesn't just do SAP right, but does it better. Our SAP practice works seamlessly with HCLTech's digital consulting, engineering services, IoT WoRKS™ and cloud infrastructure practices to design, implement and support tomorrow's integrated, intelligent solutions today. An SAP Global Strategic Services Partner, our 12,500+ consultant base leverages insights, advanced accelerators and industry-acclaimed frameworks to deliver award-winning services from local offices across Europe, Africa, Asia and the Americas.

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