

Podcast Inside SAP S/4HANA – Episode 85: Powering the World Through Intelligent Procurement

Katharina: Hi and welcome to our podcast Inside SAP S/4HANA. There is no customer success without product success and project success. My name is Katharina Klug and I'm part of the SAP S/4HANA Product Success Enablement Team. Today I'm pleased to share with you an episode with focus on Procurement. Therefore, I'd like to welcome Lukas Jenner from our partner Walldorf Consulting AG.

Lukas: Hi Katharina, thank you for the invite to this podcast. I'm really happy to be part of it.

Katharina: In this episode, we want to let the audience understand how Intelligent Procurement at SAP can look like and how S/4HANA comes into the broader picture. But as always, let's start with an icebreaker. Lukas, I stalked you a little bit on the Internet and I found that you like Harley Davidson. Do you own one, or is it a dream that shall become true one day?

Lukas: I wasn't aware that I would get stalked for this. But yes, Katharina, you are absolutely right. It was a dream since I was a kid. My father took a ride with me on a Harley, and a few years ago, I had the chance to buy one, and I didn't even think long about it and agreed directly to buy it. I could now talk hours about riding a motorcycle, but I think that's not the topic for today's podcast. Right?

Katharina: Yeah, it's not, but it makes you likable, Lukas. So let's get to our topic to Procurement. In your daily life as SAP partner you have a lot of touch points with intelligent spend, and thus the integration of our big players SAP Ariba and SAP S/4HANA Cloud, public edition. What requests do you and your colleagues typically get from our customers around that topic?

Lukas: At first, yes, we get requests from our customers with the interest in both solutions. Rise with S/4HANA in the public cloud. And some of them also ask about more details about the intelligent spend solutions. Maybe good to know for the audience, Walldorf Consulting is, as the name already mentioned, a consulting

company. We are focusing on the SAP intelligent enterprise cloud strategy. Most of the requests coming are for the public cloud edition of S/4HANA, but we also do the private cloud edition.

Katharina: And yep, I totally forgot to ask you who Walldorf Consulting is.

Lukas: No worries, Katharina. We covered it so that the audience know now a little bit about us. But coming back to your question, most of our customers or potential customers see now the need of digitalization of their current processes. Many of them are still working without any ERP solution and especially with a real old school setup for doing Procurement. That means in some cases, the procurement departments still do their procurement activities, still via email, phone and excel only. The result is that the CPO or Head of Procurement has barely no overview about their spend in detail, doesn't know exactly where all the goods have been bought. And this is today a really bad situation. I mean, one big key for the success of a procurement department is the so called "spend under management". But if you didn't have a clear view on your spend, how can you develop on that? How do you know which commodities have a potential to renegotiate to get higher savings? And on top of that, it's a risk if you can't explain all your spend in an audit, because without using a proper procurement solution, most of your data is not audit proof.

Katharina: I know about those issues, and I guess many of our listeners will now think, hey, are they actually talking about our procurement processes?

Lukas: Absolutely. And this is the point where we can jump in to help the customers to collect their requirements, support in the procurement transformation to reach the next level of procurement. And SAP has a lot of different solutions to support in this process. One challenge is here to find the best working combination of the different tools.

Katharina: Okay. So from your answer, I hear that sensitization for intelligence spend processes is your main domain. I think combining both solutions compensates the deficiency of the other. Would you have an example from a customer process that brings the best of both worlds together?

Lukas: Yes, to be honest, I have multiple examples for this. I think as a first entry point, I would like to talk about the business network from SAP. In the past it was known as Ariba Network and represents the largest supplier network in the world with several millions of suppliers. I mean, with this network, you are able to find a supplier for literally everything you are looking for. But as the name mentioned, it was an exclusive part of SAP Ariba. But this has been changed. It's now possible to connect the S4 Cloud directly to this huge network. Can you imagine the benefits of that? And what does this mean for the customers?

Katharina: Yes, I do, and I know it. But let's share it with today's audience. I think you will give us some examples on that topic. Right?

Lukas: Of course, as already mentioned in the beginning, customers have the goal to digitalize their processes, and using this network is the first step to achieve this. Because every document shared with the supplier is sent in a digital form. Let's look here in a little bit deeper in the classic procure to pay process. Thinking back on the good old days of SAP ECC, you create a purchase requisition and afterwards this document was transformed into a purchase order. In the old days, you had several options to connect the supplier to your ECC system for the exchange of the documents. But now, with the access to this network, it's more or less registering on a website and you have direct access and will be part of this global network. No complicated integration and a real plus for me. You can easily manage this by yourself. And trust me, it's really simple. But coming back to the process, so the purchase order is created and will go via the network directly to the supplier within just a few seconds. On the supplier side, they are able to create directly an order confirmation and additionally a shipping notice. After these documents are created, you will receive directly a status update in your purchase order. As a buyer, you have now an overview in real time, which status has my order, when will it arrive, etc. But that's not all. Based on the purchase order data, the supplier can create nearly automatically an invoice which will be also sent via the network. In the end, we have now a complete digital document exchange with audit-proof document and nearly 100% availability the whole year. And for sure all your required data for proper reporting. In my point of view, this is the first step to take your journey into digital procurement era.

Katharina: What would you then see as the second step? Actually, here are my stalking skills again. So I've seen that the main area you focused on before is not the Procure-to-Pay process, right? It's the area of strategic sourcing and supplier solutions. So I believe we can also talk a bit over that area. So strategic sourcing for me means running RFQs with a bunch of suppliers to negotiate new contracts, update existing prices and increase savings here. Can you also elaborate a bit on the integration between S/4HANA and Ariba with respect to your customer requests in that regard?

Lukas: Typical answer of a consultant: it depends. But yes, for sure we have the option in S4 to create RFPs or RFQs to get answers from potential suppliers for a large project or buying new machines for my production plant, for example. And if you only run a few RFPs per year, it's totally fine to use S4 for that. But if you're doing a lot of such sourcing events, I would highly suggest to have a look into the Ariba Strategic Sourcing Suite. You could run it as a standalone solution, but it makes even more sense in an integrated system landscape. The best practice way looks like the following. You start the process in S4 with a request for an RFQ. After that is done, a sourcing project will be created automatically in Ariba, which contains all the entered data. In Ariba, the buyer has to update its sourcing solution named guided sourcing. This system supports here to create easily and without too high effort an RFP or an e-Auction. And yes, you heard it right, an auction like you maybe know from eBay, for example. And one big plus for the sourcing solution is that you can reuse all your content like line items, questions you ask, documents you created from finished sourcing events. You have a whole library to use and make your life as a buyer much more simple and free up your capacity to do other things. More sourcing events, for example. So why is this so important? At the beginning I talked about the spent under management.

Lukas: With this, you could control your spend. It helps the buyer to achieve his saving goals, improve their results in the procurement area and at the end supports the whole company. But coming back to the solution. After you finished your RFP, you have two options. Option one would be to send the results back to the S4 and based on that data, a purchase order can be created. That would be the case if you have a sourcing event for a single one time purchase. But there is a second option and here you create a contract for the sourced goods and services. This contract will be negotiated in detail again via the network and contains the line items from the sourcing event. So you see here again the business network. The contract document will be exchanged via

network, which will also shorten the time of negotiation and speed up the whole process. And after the contract is finally approved, it will be sent directly to S4. And in line items are available in both systems in your S4 and your Ariba solutions. To summarize, yes, SAP offers here, a real broad list with different solutions so that the customer can have a look into the different systems and choose which of them will help to achieve their defined goals. For sure, there are even more options, modules and tools, but it's like talking about motorcycles. We could spend several hours about that topic.

Katharina: Yeah, that actually sounds great. I have a bit of time left, but that might be too long for our podcast audience. So thus, from my side, one last question. I learned that the Walldorf Consulting is really experienced with both of our products and their integration. What is your methodology to start an integration project with a customer in a few words?

Lukas: Just in a few words, is already the next challenge. But I will do my very best. As you mentioned we are strong in delivering both solutions or a bundle of both worlds, what means at the end we have a strong team for application consulting services. It wouldn't be possible to deliver this kind of projects without all the experts in the S4 Cloud or ISBN solutions. But having these experts is not the only point why we are so successful in the market. The key for the success of our customers is already in the beginning before any solution or technology is chosen. But let me explain it in a small example. A potential customer calls us and is asking for help to find the right solution to digitalize their procurement or purchasing processes. At this point, it's not really clear what is the direction the customer wants to go. So we arrange one or multiple meetings to connect all their business requirements and understand the business and the target of the customer. Based on that results, we support a system evaluation process to find the best fit for the customer's requirements. As explained before, maybe it's enough to go for the S4 Cloud and the functions we have there. Or maybe it could be an idea to have a look at, for example, Ariba sourcing to have even more possibilities. But coming back to our example, let's say the system evaluation is done and we know now the direction and the platform we will have in the project. In the next step, we analyze the business processes and show how this process would look like in the SAP standard solution. And this is one crucial point where we can differentiate our approach compared to other consulting agencies. In most cases, you will see that the customer

process will not match to 100% with the SAP best practice solution, but we will help to change that.

Lukas: We show how the process could get improved. What change would be necessary so that the current process would match with the best practice solution. But you could now ask why we are doing this and not only put in the named requirements of the customer, right? We see this a little bit different. With our services, a kind of management consulting, the customer already said they will move into the cloud and with moving into the cloud, you need to change a little bit your mindset. The systems are working a little bit different. You have other options as on an on-premise solution. And with changing the mindset it's a perfect starting point to rethink existing processes and structures. Is this really the best way to do it? Is it really necessary to have all these process steps, or could it be possible that the best practice solution will help me to improve my business and my company? Because using the best practice solution, everything in the future will be much easier. New updates? Don't worry, we are in standard and will not have any troubles. Administration? Much easier compared to the old days. So we really recommend to think about the customer's current situation and use this chance of a project to improve it. So to make it short, we are not only doing application consulting, we also support in the management consulting and change management area to bring the best fit and the best possible result for our customers. And with this approach, all of our customers are happy and giving really good feedback. Hope this was clear so far.

Katharina: Yes, it sounds like a great statement to end this episode. Thank you, Lukas, for being part of this episode of the podcast. And for all the listeners, feel free to drop us an email via insides4@sap.com and let us know which topics you're interested in. Tune in next time and be Inside SAP S/4HANA. Bye bye.