Spend Matters ™

RESEARCH

Considering Suite and ERP Integration? Lessons and Considerations to Adopt eProcurement

By: Jason Busch, Founder and Head of Strategy, Spend Matters

This content originally appeared on Spend Matters. It has been reprinted with permission for Capgemini IBX Business Network. You can read the original piece at www.spendmatters.com.

Dating Apps vs. Marriage: Lessons When Considering Suite and ERP Integration
Come on. Admit it. You (or a friend) have used a dating application with no intent of finding a lasting relationship from it. In many ways, seeking and getting into such a one-off, short-term relationship is akin to using a standalone procurement module to achieve a means to an end (e.g., identified cost savings through a sourcing event). But long-lasting partnerships and marriage are different. These both require the equivalent of tightly integrating specific needs from each "source system" — and even true "integration" in the form of joint finances, (i.e. "closing the books" together).

Call us callous for linking love and partnership as a metaphor for procurement technology integration, but why not? As with lasting relationships, if there's not true integration, it's likely the partnership will end in break-up or at least dysfunction. Of course you don't need to get into one of these, but most of us do. And the same can be said for how we end up using procurement technology, as well, or at least how we want to use procurement technology.

E-Procurement and ERP: Fling or Partnership?
E-procurement has been around since the heyday of earlier global ERP systems (think SAP R3) — or at least what we as procurement professionals (at the time) thought was e-procurement.

At the risk of dating ourselves, we remember discussing e-procurement with an old friend at a company in the midst of an early SAP system integration. At the time, this individual wanted a long-term relationship between the two systems, but in reality really, attempted to make a fling into something it wasn't and couldn't be.

The sad part today is that a lot of procurement professionals remain stuck in this reality. In practice, e-procurement requires a lot more than just enabling procurement requisitions in an enterprise system (ERP), going through an approvals process and sending information by email to suppliers. It also

requires providing a simplified buying system for business users and enabling all types of compliance and collaboration with suppliers (and others) when questions arise, as well as providing a common system of record for all types of category, spend and supplier data.

Today, best-of-breed e-procurement solution capabilities are completely different from what an ERP use to do or what early ERP e-procurement applications were supposed to enable. This counts for integration as well (at least under ideal circumstances).

Procurement and ERP integration was somewhat of a black box in the past with little real value for the business. But today, the best of these solutions have evolved by integrating and transforming the procure-to-pay process into capabilities that go beyond simply making a PO electronic. Rather, working in partnership (i.e., in an integrated manner) they enable true cost optimization, compliance and even the ability to get more from suppliers besides just hitting a target price.

Marrying Legacy Systems and Procurement — It Can Work
Tightly coupled integrations between ERP and new procurement systems can even extend the value of purchasing itself to providing visibility and analytics into total lifecycle costs, invoicing/transactional connectivity, reduced administrative requirements for approvals and payments, improved tactical sourcing and more. This is marriage in the best of sense.

Yet many organizations remain stuck in dysfunctional relationships between a legacy system and even legacy procurement applications (two legacy systems coupled together reminds us of Al Bundy and his wife on a famous sitcom, but we won't go there in this essay).

Still, a lot of organizations can´t start from scratch with their ERP and procurement technology infrastructures. They have invested a lot of money in them and they aren't about to get "swiped left" by IT.

So what to do? It is a reality that both ERP and ERP business applications for procurement are typically not enough in the new digital economy to enable emerging buying and supply chain needs. Yet there's "good bones" to ERP in many cases in the form of master data structures and schemas, defined transactional processes and even decent visibility into an overall accounting picture (daily or weekly if not quarterly or monthly, based on how companies close their books).

If you can leverage this foundation through better integration with frontline procurement systems, it's possible to change not just buying processes but the business itself. For example, there are great shopping, catalog management solutions, portals and networks that can facilitate supplier collaboration, onboarding, item-level master data management for frequently purchasing items (in a catalog) and even tail spend management and spot buy solutions that can enable savings and visibility through new channels and consolidation models.

But to get the value from these frontline tools, integration with ERP master data and PO processing capability within ERP is essential — and so too is doing a cost/benefit analysis around integration and enablement. Hard wiring integrations, for example, can prove unnecessarily costly (which makes API-

driven approaches and specific ERP integration experience and capability out-of-the box by specialized vendors all the more important).

Taking Action: Where Should You Start?
Marrying systems is not the same as salvaging relationships. It requires that both parties elope in a partnership designed to last a long time. Given this, some initial joint discovery in order. Here are some tips to make this happen:

- Take the time to understand how different types transactional-level integration can create scale and savings benefits
- Think "ease" of transformation — integration time to enable procurement outcomes should be measured in weeks or months, never years
- Don't pave new concrete on the ground level — go above it to the cloud, where integrations can "float" and adapt to changing environments
- Take stock of what you have and how best to leverage it — engage IT in the process as early as possible
- Learn from peers what is possible (ideally they will have similar environments, at least back-end systems)

As our exploration continues, we will explore secrets to P2P and integration success, looking at specific e-procurement and P2P ERP integration scenarios with SAP and other systems. Finally, we will conclude with examining how P2P and ERP integration can help get front line users to adapt and stay using specific tools as a continuous practice.

Integrating SAP MM and P2P: When ERP and E-Procurement Must Do a Two-Step 'Buy' Together
The devil is always in the SAP details — especially when it comes to making ERP and third-party e-procurement and e-invoicing systems work together in a harmonized "two-step" purchasing process.

Spend Matters recently spoke with a large procurement organization whose IT group is supporting 50 locations globally with an SAP implementation, as well as a third-party purchase-to-pay (P2P) solution and supplier network deployed on top of it, leveraging the underlying MM components for core automation.

The lessons we learned from the discussion speak to the importance — and beauty — of thinking through all of the details when it comes to thinking through ERP and procurement systems integration, especially when multiple systems will be handling different aspects of transactional procurement.

Background
The organization in question is what we might describe as a "semi-centralized" procurement organization with the corporate procurement function working out of a U.S.-based headquarters. Yet individual sites buy items specific for their own locations, while the centralized function drives the purchase of large spend items that cut across multiple sites.

The procurement organization leverages a single SAP version, which serves global operations. After evaluating SAP for transactional procurement, it decided to leverage a hybrid deployment model using a SAP MM (all requisitions are handled in SAP even if they do not originate there) and a best of breed

procurement front-end. Technically speaking, the manufacturer is using SAP MM as their ordering tool (inclusive of workflow, business rules, PO processing, receiving, matching, invoicing, payment and master data management), but the third-party application as the front end for purchasing and business users to search and shop (including the requisitioning, invoice capture and catalog management capabilities the vendor provides).

Non-Trivial Integration

The integration of the two systems would prove non-trivial from a business process perspective (although one could argue the technology was the easy piece). The company told Spend Matters that while automation itself is never an easy task, the key is that "all systems have to be prepared (to receive and process all the information), as well as the organization."

There are always common challenges when a company does this type of integration. In the case of this manufacturer, here are some challenges and discoveries that the integration of SAP with standalone e-procurement and the associated business process changes brought with it:

- The organization (along with the support of its e-procurement partner) had to make data customizations to integrate the SAP "store room" model with the new third-party shopping/ requisitioning process. This required making sure all the information captured mapped to the specific SAP processes and fields required for approval, document creation, workflow, business rules and matching

- Switching from a p-card (the previous payment model) to a PO-based model integrated with SAP approval and payment runs generated extra workload for the organization (which it did not plan for), including the invoice management process "post PO," which created additional workload

- Creating an automated approach to managing taxes and freight required a full redesign of the inbound invoicing (and invoice receipt) process

- Supplier onboarding requirements expanded to move beyond basic accounts payable (A/P)-centric data fields for collection, management and maintenance to enabling a broader catalog management process (uploading of catalogs, validations, etc.)

- Suppliers would sometimes submit information incorrectly (e.g., submitting wrong tax information in specific fields), which would slow invoice processing times and require procurement and A/P touch points

- Requisitioning and ordering automation surfaced broader process and compliances challenges, which the company previously missed when using SAP alone — and required internal process redesign efforts to fix

However, with challenges come benefits, too. Benefits that could vary from case to case, but at the end should simplify the user's work and improve the company's productivity. Here are some of the benefits discovered in this case scenario:

- Improved user experience while purchasing made possible by incorporating a best-of-breed procurement front-end

- Improved process automation, which brought efficiencies and effectiveness to the procurement processes

- Improved P2P business processes towards better practices, such as:
    - Requisitioning and ordering compliance with the organization's policies and procedures
    - Order management and analytics with a PO-based model
    - Two- and three-way match process (plus effectiveness)
    - E-invoicing data management
    - Supplier management with a more integrated approach.

While the procurement team was ultimately happy with its choice to combine SAP's own purchasing technology native in the ERP modules with a best-of-breed procurement front-end (buyer and supplier interface), the manufacturer realized that there was no way to virtually paper over existing system requirements or business processes that were either established, required or missing entirely.

This case scenario represents an important lesson regarding challenges and benefits that any procurement organization could face in a P2P path that plans to leverage existing ERP elements as part of a new deployment.

Tips for Preparing the Business (and IT) to Adopt E-Procurement: Usability, Tactics and ERP Considerations

Getting frontline users ready to adopt e-procurement systems consistently is a last-mile challenge that too few procurement organizations confront directly as a central piece of a procure-to-pay (P2P) rollout strategy. We should never assume that change management is something that "just happens" with business users (and suppliers), even if a new process or technology is inherently better, easier-to-use or faster than an older one.

But how do you get front lines to really use tools consistently?

The first (and most important step) is to make sure any e-procurement program puts the business user front and center in the usability equation by not just showing the "how" but explaining the "why."

This involves not handing over a technology even if you can just "walk up" to it and use it (i.e., the "how") but also explaining "the why." In this regard, it is essential to show the positive impact adoption will have in helping them, including the measurable benefits of swapping out their existing methods for a new approach that will more easily accomplish the same task and help them better work towards their objectives.

There's lots of ways to do this, from creating and sharing cheeky training videos to traditional change management-style communication in emails, online training and internal webinars.

Regardless, one thing is for sure: Just do it.

Beyond Showing the 'How' and Explaining 'The Why'

Regardless of what a vendor might say, e-procurement is not a commodity when it comes to usability. There are nuances here that are important to consider in driving continuous adoption among business users. Here are some tips that require the right tools that will delight business users:

- Make sure you have fully automated process workflows that do not require the user to even think about what the next step in the process is. Steps and action items should just "pop" into their screen, an email or an app

- Think lean! Stop "movement." Try to avoid requiring users to have any unnecessary interactions with the system (e.g., reduce the number of clicks required whenever possible). Get into a "no-touch" mindset by configuring the system to take charge based on user profiles, behaviors, suppliers and transaction types. You can't "punt" on this step. It requires tight coordination between IT and procurement as early as possible (even prior to final tool selection)

- Think about the value (and what it means to deliver) a great user experience, for all participants one in which procurement creates a process and environment for users that minimizes required decision making and any potential stress from the buying experience. In short, create a guided buying process that provides the necessary support to enable rapid decisions in the context of user is key — regardless of role (a business user/requisitioner that is shopping, a line of business manager that must approve an order outside a budget limit, a procurement manager that must respond to an exception flag in which an invoice fails a PO and contract tolerance match, etc.)

- Select and deliver a solution that is intuitive to learn and needs no training (except for administrators) across all probable interactions that users are likely to have with the toolset

- Enable self-service via online support for at least tier one support levels (and policies and procedures)

Don't Bury ERP Questions When it Comes to Usability

ERP providers are becoming quicker to add features and capabilities than in the past, either directly in their solutions or through partnerships. But they have been generally very slow to embrace usability as a top priority feature of the solutions they deliver.

Spend Matters suggests that procurement and IT organizations that are considering customizing their ERPs processes or business application modules (or maintaining their current capabilities) to meet purchasing requirements should reconsider their approach if usability is one of their top objectives. Or they should at least try to adopt new user-oriented IT solutions for the processes that are facing the users and integrate them with their current ERP environment.

Our experience suggests that companies with strong ERP commitments from IT need to analyze what is the best way to realize the outcomes the business wants to achieve and stop thinking about processes and user scenarios alone. This is not a matters of rebuilding all of the processes into new solutions; rather, it is more about rethinking the real outcomes the organization is looking to achieve and enabling them with new technology that will have the potential to continue growing without increasing their total cost of ownership exponentially — as in the case of maintaining an ERP full of customized processes.

There is no doubt that ERP systems are some of the most important components of a company's IT landscape. And in most of the cases, they still not only represent master data and systems of record for vendors, spend information and transactions but also systems of process, at least on the back-end.

However, when processes requires that business users and suppliers adopt and use tools consistently, the safest and most affordable approach is to put an ERP into a functional warehouse that sits behind a customer showroom (and is seen only by technical users and administrators), rather than dressing up a back-end through customization or other approaches to make it do something it was never designed to achieve in the first place.

The IBX Business Network is part of the Capgemini Group, a global leader in consulting, technology and outsourcing services. The Group reported 2015 global revenues of EUR 11.9 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Connecting over 350 large buying organizations, 550 000 suppliers and providing services in more than 140 geographies, the IBX Business Network is a Cloud-based eProcurement platform that optimizes user experience, enables superior spend management, while exacting lower total cost of ownership. A complete ready-to-run procurement service, the IBX Business Network supports the entire closed-loop Source-Purchase-Pay process and results in lower costs and faster ROI, increased spend visibility and transparency, increased control and compliance and improved supplier quality.

Learn more about us at www.capgemini.com/ibx