Transforming Your Procure-to-Pay Process from Chaos to Order: Best Practices to Optimize Standard SAP

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Every Angle
In This Session …

• Learn how it will be easier for your purchasing department to deal with:
  • Unreliable suppliers
  • Bad quality of supplied materials
  • Delay in internal processes
  • Priority purchase requisitions and POs
  • Communication with planning department
  • Master data management

• If they are not only focusing on finding the cheapest vendor!
What We’ll Cover …

- Optimizing the procure-to-pay processes
- Demonstrating real life examples
- Sharing tips and best practices
- Discussion
- Wrap-up
The Complexity of P2P Processes

- Dependency on good master data
  - Material master
  - Vendor master
  - Info records and source lists
- Key issues
  - What is “good” => 3C’s
    - Compliance to business rules
    - Complete
    - Consistent
  - Ownership => who is responsible
  - Setup of master data checks
The Complexity of P2P Processes (cont.)

- **Managing demand fluctuations**
  - BOM changes
  - Sales order changes
  - Forecast and independent requirements changes
The Complexity of P2P Processes (cont.)

- Monitoring unpredictable events
  - Delays in sourcing
    - Internal process
  - Delays in delivering
    - External suppliers or delivering plants
  - Delays in receiving
    - Warehousing
    - Quality control
The Complexity of P2P Processes (cont.)

- Escalations and bottlenecks
  - Decibel planning
    - Who screams the loudest?!
  - What is really needed?
    - Customer demand (late sales orders?)
    - Production requirements (production stop?)
    - Maintenance and project requirements
    - Preventing stock outs (lost sales?)
Many companies are left with the dilemma of how to move from chaos to structured and optimized processes:
The Need and the Solution

• The need
  ♦ Up-to-date information
  ♦ Single version of the truth
  ♦ Process visibility (across decoupling points)
  ♦ Structured follow-up, clear procedures
  ♦ Clear responsibilities and ownership

• The solution with the following characteristics
  ♦ Plug and play (low TCO)
  ♦ SAP ERP is the “single version the truth”
  ♦ Save, secure, and maintainable/supportable
  ♦ Replacing and preventing Z-reports, ABAP, Excel, SE16, …
Characteristics of Architecture

- **Extractor**
  - Data extraction using an SAP-certified function module
  - No-risk, plug and play, fast, safe, and secure
- **Server**
  - Built-in business process logic (supply chain analysis)
  - Built-in SAP ERP knowledge (based on SAP ERP customizing)
Characteristics of Architecture (cont.)

- **Client**
  - Thin-client desktop Windows application
- **EA03: display transaction in SAP GUI**
  - No load in SAP ERP system!
- **DLL**
  - Integration with DW/BI tools (i.e., SAP BW/BO)
Order Network Calculation

SITE 1200 - Dresden

Supplier problem

Raw materials

PO

WO

Final product

ETO

SITE 1000 - Hamburg

Leaflet

Box

Flask

WO

Packaging

SO

Sales order

End-to-End Supply Chain Analysis

on (100)-thousands of detailed order lines
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Real Live Examples (Demonstration)

- **Master data**
  - Vendor master
  - Material master
    - All material master views
  - Inforecords
    - With material and vendor master included
  - Remark easy to add
    - Classification characteristics
    - Customer-specific fields (Z-fields, appends)
Real Live Examples (Demonstration) (cont.)

- **Closed purchase orders**
  - Supplier reliability
  - Spend analysis
  - Overview of cancelled POs
  - Lead time analysis
Real Live Examples (Demonstration) (cont.)

- **Open purchase documents**
  - Work-in-Process
    - Split by document type, and any other SAP fields
  - Back orders & Pollution
    - Status of PO in delivery & confirmation process
  - Priorities based on:
    - Planned requirements (SAP MD04)
    - Historical demand
  - Over planned POs
    - Without demand
    - Link to master data settings
The Best Real Live Example?

• **Question:**
  - Is there anything in your procure-to-pay process that you want to see, based on your own SAP ERP data?
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KPIs

- Keep them limited and process relevant
  - Focus and do not copy/paste from standard KPI libraries
- Make the business responsible for definition
  - Acceptance is key
- Always be able to drill down to individual documents
  - Ad hoc analysis => Agility, responsiveness
- Link KPIs to operational actions
  - Measuring alone is not enough!
Processes and Organization

- Make processes clear to everybody
  - Define processes precisely => “process bible”
- Describe how to deal with deviations and disruptions
  - Murphy is always right: what can go wrong, will go wrong
- Have clear and up-to-date exception lists available
  - For all people (roles and responsibilities)
  - Procedures (what activities)
- Focus on real problems
  - Prevent “decibel” management
  - Find the root cause (prevent repetition)
SAP (ERP, SCM, SRM, ...)

- Make sure the system contains all relevant information
- Master data is key for an automatic and reliable process
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Topic 1: Relevant Data in SAP

- Do you have all relevant data maintained in SAP?
  - Master data (e.g., lead times)
  - Purchase requisition releases
  - PO confirmations
  - Tip: Use different purchase confirmation categories
Topic 2: Reliability of Outcome of Planning

• How reliability is the outcome of the planning?
  - Are 99% of the purchase requisitions converted into a PO?
    ▶ With the same date and quantity?
  - Are all purchase orders created based on a purchase requisition?
    ▶ If not, why not?
Topic 3: Using Relevant Information

• **How do you get the relevant information out of SAP?**
  - Open POs and backlogs by status
  - Priorities of open POs and purchase requisitions (MD04)
  - Master data checks
  - Supplier reliability

• **How to use this information the correct way?**
  - Clear follow-up actions and procedures
  - Roles and responsibilities
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• Wrap-up
Wrap-Up

- Purchasing is more than finding the cheapest vendor
- Cross-process visibility is key for:
  - Bottleneck detection (what is going wrong?)
  - Cause detection (why?)
  - Priority (impact?)
- SAP MD04 should 100% correct (stocks + issues/receipts)
- Proactive process monitoring really makes a difference
- Information is key for effective decision making, but distinguish
  - Operational information (process-based, current and future)
  - Management information (period-based, historical)
Where to Find More Information

- **MD04**
  - MRP List and Stock/Requirements List
  - Order Display in the Current Stock/Requirements List
    - [http://help.sap.com/saphelp_erp60_sp/helpdata/en/d0/44b36865bf11d385dc0000e8200b4c/content.htm](http://help.sap.com/saphelp_erp60_sp/helpdata/en/d0/44b36865bf11d385dc0000e8200b4c/content.htm)
- **Set Up Confirmation Control**
  - [http://help.sap.com/saphelp_46c/helpdata/en/c2/1c4b6e5733d1118b3f0060b03ca329/content.htm](http://help.sap.com/saphelp_46c/helpdata/en/c2/1c4b6e5733d1118b3f0060b03ca329/content.htm)
- **“Supply-Chain Operations Reference-Model” (Supply-Chain Council).**
7 Key Points to Take Home

- Purchasing is about the availability, not only about costs/spend
- First, look at your company before blaming vendors
- Limit the number of KPIs you are measuring
- Focus on open POs with demand, not on backlog
- Invest time in master data improvement
- Make sure SAP MD04 shows the correct and complete information
- Define a “process bible” with clear steps/activities, roles and responsibilities, KPIs, and action lists
Your Turn!

Questions?

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Please remember to complete your session evaluation
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