

CENTRALIZED SOURCING AND CONTRACT MANAGEMENT

CENTRALIZED PROCUREMENT ENABLES GLOBAL CONTRACT COMPLIANCE

Given a challenging economy, how can you protect profitability? Centralized sourcing and contract management software from SAP can help you gain greater control over procurement across all your entities. This approach enables global contract compliance to maximize cost savings, resulting in higher profits.

Large dispersed organizations should be uniquely positioned to maximize savings. With their demand for a high volume of goods and services, they should be able to negotiate the deepest of volume discounts. But for many global organizations, these "shoulds" do not reflect reality. Regional entities often purchase from local suppliers and do not leverage global contracts. These groups may feel they can better manage supplier relationships and receive better service. However, they may miss out on lower prices or better terms and conditions that have been negotiated by the centralized procurement team for the benefit of the entire organization.

Studies have shown that best-in-class procurement organizations adopt a center-led structure 50% more frequently than other procurement organizations (Aberdeen Group, "CPO Rising: The CPO's Agenda for 2008," February 2008). This organizational structure helps to centralize policies and processes and to focus more on spend aggregation. Yet, despite the prevalence of centralized procurement operations, for many large enterprises the misalignment between processes and systems remains the top barrier to success.

The key to maximizing cost savings is the effective alignment of requisitioning, sourcing, and contract management with a centralized system that provides enterprise-wide compliance with contracts.

Getting a Global Grip on Procurement

Integrated software from SAP can help you centralize your sourcing and contract management activities by linking and unifying all operational procurement processes and systems. You can connect the enterprise resource planning systems of your local entities to a single central supplier relationship management system, providing complete control over procurement across the organization.

The software helps you effectively manage sourcing, purchasing contracts, operational procurement, and supplier management processes. This hub approach enables enterprise-wide transparency into demands, identification of the best sources of supply, better negotiation with suppliers, and global compliance with contracts. You can avoid missed savings opportunities and enforce negotiated prices and conditions across the entire organization. You can also significantly reduce supplier risk and increase the efficiency of procurement operations across the globe. All these gains can increase procurement savings and corporate profitability.

Maximize Negotiated Savings Globally
One of the most important goals in your efforts to maximize cost savings is to avoid missing savings opportunities. Many procurement organizations are still limited by the lack of formalized global sourcing practices and by the complexity of managing disparate sources of demand. These limits can prevent them from negotiating cost savings most effectively.



By centralizing sourcing, you can identify all your key suppliers and create a sourcing environment that fosters competition. Software from SAP provides complete support for online bidding, including electronic quotation requests and reverse auctions, enabling you to arrive quickly and effectively at the best supplier terms and conditions. You can then codify these agreements in contracts that all organizations and branches within the enterprise will use whenever they need to procure new goods and services.

Ensure Global Contract Compliance

To realize negotiated savings requires well-managed contracts and processes that enforce contract compliance. However, inconsistencies in the ways that local entities manage contracts typically lead to savings leakage and difficulties ensuring contract compliance and usage across all entities. By centralizing contract management, you can capture negotiated savings in contracts that all your procurement organizations can then consistently leverage in the operational procurement process.

Software from SAP provides the functionality you need to manage all aspects of a contract – proactively, transparently, and centrally – from contract inception through finalization. With software for centralized sourcing and contract management, you can take advantage of a central procurement contract repository. Groups throughout the organization can then find contracts easily and use them consistently. This way, you can help ensure that all procurement entities are taking advantage of the negotiated savings and receiving

aggregation-based discounts that reflect the global contract usage. By automatically posting contract items to catalogs, you can even extend the contract compliance to your employees who conduct end-user requisitioning. Ultimately, this approach enables you to rein in maverick buying and eliminate contract redundancies while easily tracking and monitoring actual contract usage and quickly identifying issues such as off-contract spending.

Standardize and Automate Procurement Across Local Entities

All these efforts to optimize the supplier network and capture savings opportunities through centralized sourcing and contract management can deliver tangible savings – but only when connected with operational procurement systems that procurement personnel and employees throughout your organization can use to accomplish all their day-to-day tasks more easily.

SAP® software can help you reduce operational costs by standardizing and automating the entire procure-to-pay process across all your local entities including requisitions, purchase order processing, goods and service confirmation, supplier collaboration, and invoice management.

Additionally, for many spend categories, the use of catalog-based procurement supports employee adherence to approved items and suppliers, reducing the risk of maverick spending activity.

Such a unified approach to operational procurement helps ensure compliance with contracts and policies by embed-

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ding negotiated pricing, terms, and conditions within transactions, while moving your entire procurement process toward new levels of operational excellence.

Minimize Supply Risk

Your suppliers commit to on-time deliveries and specified levels of quality. If a supplier fails to deliver according to their negotiated service levels, the results can ripple throughout the supply chain and negatively impact your bottom line.

Centralized sourcing and contract management software from SAP can also help you manage supplier performance and minimize risk. It enables you to integrate suppliers into your key processes for efficient collaboration throughout the procurement process, allowing you to gain instant visibility into the status of orders, shipments, and payments between your companies.

In addition, this integrated software supports a comprehensive supplier

performance management approach that enables your employees to provide both event-driven and periodic feedback on the adherence of suppliers to expected standards. The resulting scorecards and comparative reports can help you identify and cultivate relationships with high-performing suppliers. The reports can also help you identify those suppliers you need to develop further or replace. Timely and continuous visibility into supplier performance can significantly reduce supply-based risks and expose new opportunities to identify savings and operational efficiencies.

An Integrated Solution for Procurement Success

Integrated software and services from SAP can provide the functionality you need to gain the benefits of centralized sourcing and contract management. The following applications comprise this integrated solution:

- The SAP Supplier Relationship Management (SAP SRM) application provides centralized support for key procurement functions including sourcing, contract management, employee-based requisitioning and supplier evaluation and management. SAP SRM acts as the central procurement hub that connects all the different enterprise resource planning (ERP) systems that your local entities use.
- The SAP ERP Operations solution helps you manage the procure-to-pay process across your local entities. It supports requisitions, purchase order processing, goods and services confirmation, supplier collaboration, and

invoice management. You can further optimize your invoice management processes with the SAP Invoice Management application by Open Text, which provides support for automated invoice creation and reconciliation.

You can also empower your procurement personnel to be more productive than ever by providing personalized, role-based interfaces into the procurement environment. With ready access to relevant information, your personnel can accomplish more – and do their work more quickly and more consistently.

The SAP Services organization can help you assess and analyze your procurement processes and show you a clear road map to an integrated future, one based on best business practices developed over the course of more than 140,000 business engagements in 120 countries. SAP implementation and ongoing support services can help ensure that your IT organization can keep your SAP software operating at peak levels to support your business goals.

Powered by the SAP NetWeaver® Technology Platform

At the heart of this centralized sourcing and contract management solution lies the SAP NetWeaver® technology platform. SAP NetWeaver unifies technology components into a single platform, enabling organizations to reduce IT complexity and obtain more business value from their IT investments. As the foundation for service-oriented architecture, SAP NetWeaver enables you

to evolve your current IT landscape into an integrated, strategic environment that drives business change.

In short, SAP NetWeaver provides the best way to enhance business applications, integrate your business partners, and facilitate data sharing within your global supplier network, even among systems that are not running SAP software.

A Centralized Approach to Drive Higher Profits

Your organization can maximize savings by centralizing requisitioning, sourcing, contract management, and supplier management. SAP software and services can help you gain complete global transparency and efficiency across your procurement organization. This centralized approach can help you ensure global compliance with contracts to realize and sustain savings. It can also enable you to reduce operational costs and minimize your supply risk – all of which are key to higher profits in an uncertain economic environment.

For More Information

To learn more about how software from SAP can help your organization achieve operational excellence in the realm of procurement, call your SAP representative today or visit us on the Web at www.sap.com/solutions/executiveview/operations/centralize-sourcing-and-procurement/index.epx.

Summary

Centralized sourcing and contract management software from SAP can help you gain greater control over procurement across all your entities. This approach enables global contract compliance and spend leverage to maximize cost savings, reduce operational costs, and minimize supply risks, resulting in higher profits.

Business Challenges

- Maximize negotiated savings
- Ensure global compliance with contracts
- Reduce operational costs
- Minimize supply risk

Key Features

- **Central sourcing** – Identify best global sources of supply through online bidding, requests for quote, and auctions, and provide best practices to local procurement teams
- **Central contract management** – Manage contracts from initiation through finalization, leveraging the centralized contracts to enforce global compliance while applying the correct pricing and aggregated volume discounts
- **Operational procurement** – Standardize and automate the entire procure-to-pay process, including global support for requisitions, purchase order processing, supplier collaboration, and invoice management
- **Supplier management** – Enable transactional supplier integration and supplier performance management to minimize supply-based risks

Business Benefits

- **Maximize negotiated savings** by identifying the best global sources of supply and enabling the negotiation of favorable pricing and terms
- **Help ensure compliance with contracts and policies** by enabling its consistent use globally across the organization
- **Reduce operational costs** by automating procurement operations to eliminate manual tasks and minimize purchasing errors
- **Minimize supply risk** by dynamically linking suppliers to your organization and simplifying access to timely supplier performance evaluations

For More Information

Call your SAP representative or visit us online at

www.sap.com/solutions/executiveview/operations/centralize-sourcing-and-procurement.

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