Best Practices in Spend Analytics, Sourcing, and Contract Management

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Sourcing

best practices
Increase Cost Savings
Procurement’s #1 Priority

Top Procurement Priorities 2011-2014

- Savings: 54%
- Process: 46%
- People: 35%
- Suppliers: 30%

Source: CPO Rising 2011, Ardent Partners LLC
Sourcing and Contracting Today
Requires the ability to deliver savings results quickly

Are my Buyers meeting savings targets?

I need to maximize cost savings!

Where is the supplier’s contract?

I must increase my spend under management!

How do I deliver a rapid time-to-value?

Am I missing opportunities to re-source or renew contracts?

What information do we have on the supplier?

Where is the latest contract template?
Organizational considerations and best practices
Organizational Considerations

Internal

- Demonstrate executive level commitment and appoint a champion for the program
- Identify early adopters and build a team of change agents
- Ensure key functional areas are represented and involved
- Establish organizational objectives and metrics
- Train team members in application and business processes
- Build awareness and momentum through communications
- Establish a pipeline of sourcing events to continue momentum
Organizational Considerations
External - Suppliers

- Develop a supplier strategy
- Make sure qualifying suppliers have the opportunity to win business – it’s important to maintain credibility and the integrity of the process
- Provide training and support to the suppliers – you need them to run successful events
- Ensure that suppliers understand that you are committed to the process and technology
Sourcing

best practices
Sourcing Project Management: Best Practices

- **Foster open collaboration with other business units**
  Provide business users outside of the Sourcing organization to request support for sourcing activities in a structured manner.

- **Provide a centralized location for Sourcing related documentation**
  Maintain a location that is accessible to all stakeholders.
Supplier Qualification and Management: Best Practices

Supplier data management
- Capture key attributes about your suppliers, such as diversity status and other key business classifications

Supplier repository management
- Create a repository that is searchable based on criteria that is important to your organization
- Allow suppliers to periodically maintain some of their company information
Sourcing and Evaluation: Best Practices

Use structured questions to qualify suppliers
- Craft objective questions that contain question and section weights
- Automates the supplier response evaluation process

Leverage weighting factors to determine total cost
- Use total cost capabilities to account for specific cost items to enable better “apples-to-apples” comparisons of price quotes

Use standard reporting to manage the process
- Leverage key reports that enable management of the sourcing process to identify exception areas where follow-up may be needed

Reduce cycle times to obtain market pricing
- Reverse auctions can be used to quickly obtain market pricing with qualified suppliers and provide an opportunity to create incremental savings
Moen Leverages SAP® Sourcing for Procurement Advantage

QUICK FACTS

Moen, Inc.
- Headquarters: North Olmsted, Ohio
- Industry: Mill products – fabricated metal products
- Products: Faucets, sinks, shower heads, and bath accessories
- Employees: 2,500
- Web site: www.moen.com
- SAP® solutions and services: SAP Sourcing application

Objectives
- Reduce sourcing cycle time
- Create visibility and standardization
- Increase number of sourcing events to drive savings

Implementation Highlights
- Completed rollout in 3 months
- Established a supplier council to get feedback and drive adoption
- Integrated to SAP® software backend to drive compliance

Challenges and Opportunities
- Quotes managed manually
- No ability to measure supplier responsiveness
- Fee-based auctions
- Difficult to measure allocation of resources

Why SAP
- Complete “source-to-contract” enablement
- Ability to integrate with SAP ERP application
- Flexibility of application to support business requirements

Benefits
- Simplifies executing more sourcing events faster
- Provides collaborators 24-hour visibility
- Increases throughput, which drives cost savings
- Improves oversight of award activity
- Helps ensure that negotiated savings are realized through creation of purchasing info records

“Moen is using SAP Sourcing as a global sourcing tool to quote, perform auctions, and ensure compliance to our policy and principles. In addition, we expect integration benefits and continued implementation success.”

Jane Perin
Manager, Global Sourcing System Support
Moen, Inc.
Contract Management

best practices
Determining Contract Management Priorities

Repository
- Contract portfolio assessment (active, expired; spend coverage)
- Reporting and visibility needs (for manual compliance as well)

Authoring
- Streamlining contract creation processes
- Minimizing risk relating to contract language

Compliance management
- Employee usage of the right contracts
- Automating pricing structure compliance

What is your company’s top priority today?
Contract Management: Typical Adoption Stages

Stage 1: Central Repository
- Easy to search
- Good access controls
- Contains header/structured data and all documents
- Automated alerts
- Reporting

Stage 2: Contract Authoring
- Use of clause and template libraries
- Integration with Microsoft Word
- Internal and external collaboration tools/workflows
- Associated reporting

Stage 3: Integrated Compliance
- Structured item/pricing data
- Automated back end establishment/call-off
- Usage-based alerting
- Advanced usage reporting
Start with Pre-Implementation Steps

- **Assemble an experienced team for the long term**
- **Schedule a kick-off meeting well in advance**
  - Agree on project scope (locations, categories)
  - Decide between implementing “as-is” or re-designing your processes for best practice
  - Launch long lead time activities
- **Get the solution up and running early in the process**
- **Complete initial software training** *before* starting
- **Get early agreement on the extent to which you will edit the legal language in use for the clauses/templates**
Repository — How to Start

- How will you use the electronic contract repository?
- Find the legacy contracts
- Decide which legacy contracts to load
- Agree on which contracts to renew versus “re-do”
- Determine what contract data and files to load
  - Plan for future legacy contract loading involving different contract categories or locations
- Will data loading be done manually or electronically?
  - If manual, who will perform?
  - Pay attention to master data in this process
- Plan for small scope test load to highlight import issues
Authoring — How to Start

- **Start with a kickoff meeting as a sub-project**
  Gather current templates or commonly used documents (Word files)
  Evaluation of current agreements against best practices
  Agreement on “most common” clauses
  Determine how much clause library will be utilized

- **Get key end users’ early involvement and buy-in**

- **Must have timely agreement on clause/template documents**

- **Determine if you want to leverage electronic signatures (buy-in)**

- **Manage scope tightly – start small but plan for future, particularly globalization of the initiative**

- **Initial work can be extensive but educational, and supports the long-term goals**
Compliance — How to Start

- Decide how much compliance do you want/need
  - Focus on biggest pain point categories/agreements

- How should the contract management system interact with back-end systems?

- Understand the out-of-box integration capabilities and constraints

- Plan any custom development projects required beyond out-of-box integrations and involve internal experts

- Plan for reporting to gain the most value

- Start small and leverage what’s working well
AB InBev: Benefits

**Vendor Categorization**
- Risk Group Assignment
  - Master data synchronization with SAP ERP
  - Supplier black/green list creation

**Contracts Initiation**
- Template Usage
  - New contract templates in-house design, review, approval

**Approval Process**
- Workflow Streams
  - External draft contracts upload, maintenance, management
  - Pre-defined approvers structure based on contract type
  - Delegation of authority when out of office

**Security**
- Contract Signing
  - Elimination of illegal manipulation of contracts, for example: changing of contract pages, payment conditions, or contract values

**Reporting Statistics**
- Transparency of staff workload, work efficiency, and work state
  - All workflow cycles can be followed up in one system
  - Simple functionality for reports

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Thank You

Let’s Connect:

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