

Enterprise Content Management for Procurement

Extending SAP® capabilities is a key aspect of advanced Enterprise Content Management

Today's procurement departments need extended content management solutions, not only to manage the quantity of information they must deal with, but to leverage its value. As SAP's chosen ECM provider, OpenText can help you integrate unstructured, procurement-related content directly into your SAP applications, turning your organization's information into a business advantage instead of an administrative, operational, and regulatory burden.

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Introduction

Companies running their business on SAP® solutions such as Enterprise Resource Planning (ERP), Enterprise Asset Management (EAM), Supplier Relationship Management (SRM), or Customer Relationship Management (CRM) have little to worry about when it comes to the management of structured content. Data that is automatically entered into SAP applications or exists in formats SAP can easily digest quickly becomes part of SAP's integrated business suite. Unstructured content, however—content not designed for or easily integrated into SAP applications—presents a different challenge. This content—including contracts, bid proposals, supplier certificates, credit verification, supply chain manifests, and vendor purchase orders—is often distributed throughout an organization in various formats and versions. On top of that, this content is not only accessed from a variety of SAP applications but also from the user's desktop via Microsoft® Windows®, Office, and Outlook® and various web applications. And as operations become more global, supply chains longer, outsourcing more common, and joint ventures more appealing, the number of parties generating relevant information continues to increase.

Procurement, as a focus area for cost-cutting and productivity improvement, is ripe for improvement through advanced Enterprise Content Management (ECM). This paper looks at current trends affecting the supply chain, and then examines three key areas within procurement—strategic sourcing, supplier and contract management, and order-to-pay—to show how extending SAP through ECM enhances procurement processes and yields clear organizational benefits.

Stretching the Supply Chain— Trends Affecting Procurement Operations and Efficiency

Supplier globalization

As IT advances make geography and time less important to sourcing decisions, the supply chain continues to expand, tightening the economic links between trading partners. This means procurement must become increasingly aware of risk factors associated with supplier geographies—for example, earthquakes in Japan—and ensure their supply base is adequately diverse. Organizations need to know their market better than ever to manage risk and supplier performance.

Collaboration

CPOs believe that improving internal and supplier collaboration is a critical savings strategy. However, many organizations only look at squeezing savings from their current suppliers when, by establishing new collaborative supplier relationships, they could maximize savings and enhance their influence on their supplier base. “Three bids and a buy,” for example, is an excellent strategy for getting competitive supplier pricing, protecting team budgets, and mitigating supply risk.

Disconnected processes

Rather than scrambling to manually reconcile disconnected processes, source-to-settle should be considered as one overarching process containing a number of sub-processes, including sourcing, legal, transactional procurement, and accounts payable. Teams associated with each sub-process can then be aligned and incented with overall organizational goals and linked by appropriate solutions and technology.

Lack of innovation

Always an issue for business growth and success, innovation is necessary to improving procurement. Unfortunately, organizations often lag in areas such as finding new ways to bring products to market, improving supplier/vendor communications, devising short-term payment plans to weather the pressures of a down economy and working with suppliers to create a better overall supply chain. The economic crisis was a major driver of innovation, but now those improvements must be embedded in ongoing processes and organizational supply chain cultures.

Maximize Source-to-Settle Efficiencies by Managing Content

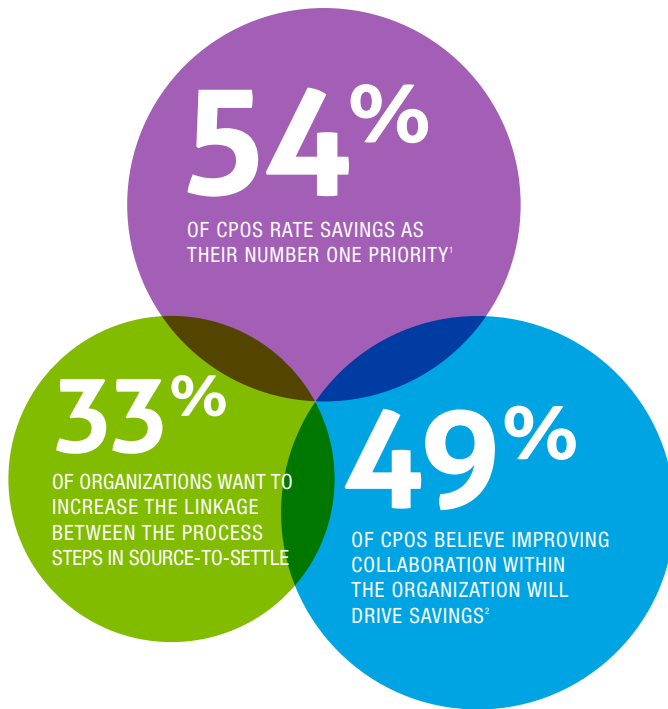
In today’s economic climate, organizations face mounting pressure to cut costs, improve productivity, and enhance value. As a result, many companies are looking for ways to wring costs out of their procurement process. In fact, in a recent survey, 54 percent of CPOs said cost-cutting was their top priority¹. Related research indicates that “improving collaboration within the organization” and “increasing the linkage between the process steps in source-to-settle” will best drive those savings.²

¹ CPO Rising 2011, Innovation Ideas for the Decade Ahead – Ardent Partners

² CPO Rising 2011, Innovation Ideas for the Decade Ahead – Ardent Partners



What Matters Most?



But what is the unidentified connection between these goals? What is the real key to both improving collaboration and integrating processes? ECM, when implemented within solutions that provide full integration with an organization's SAP platforms and processes, can deliver procurement efficiencies and savings across the board.

For most organizations, however, SAP and ECM remain discrete functions:

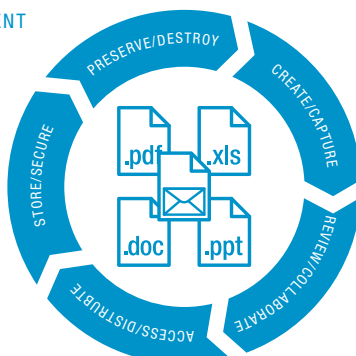
WITHOUT INTEGRATED ECM



CORE SAP
BUSINESS PROCESSES

SEPARATE SOLUTIONS

ENTERPRISE CONTENT
MANAGEMENT



Organizations often employ a range of disconnected point solutions or even manage procurement processes manually. Unfortunately, all these approaches can result in numerous efficiency barriers, such as content duplication and information silos. They also prevent organizations from getting a holistic view of the supply chain, limiting their ability to make informed decisions.

An integrated ECM solution can overcome these challenges by providing critical value in three key procurement areas: strategic sourcing, supplier and contract management, and order-to-pay.

For Many Organizations, SAP-ECM Integration is the Key

Source-to-settle processes—available within SAP’s procurement and ERP platforms—automate and synchronize an organization’s procurement and payment process. It covers spend analytics, sourcing, contract management, operational procurement, and invoice management. This can allow multiple levels of suppliers, partners, and manufacturers to work together, reducing purchasing and finance department workloads as well as the overall cost and time associated with the procurement process.

To maximize the ROI on your SAP solutions, however, you need an ECM solution that fully integrates with them. Enterprise content must be organized, visible, accessible, and fed directly into the SAP solution stream as appropriate.

SAP WITH INTEGRATED ECM

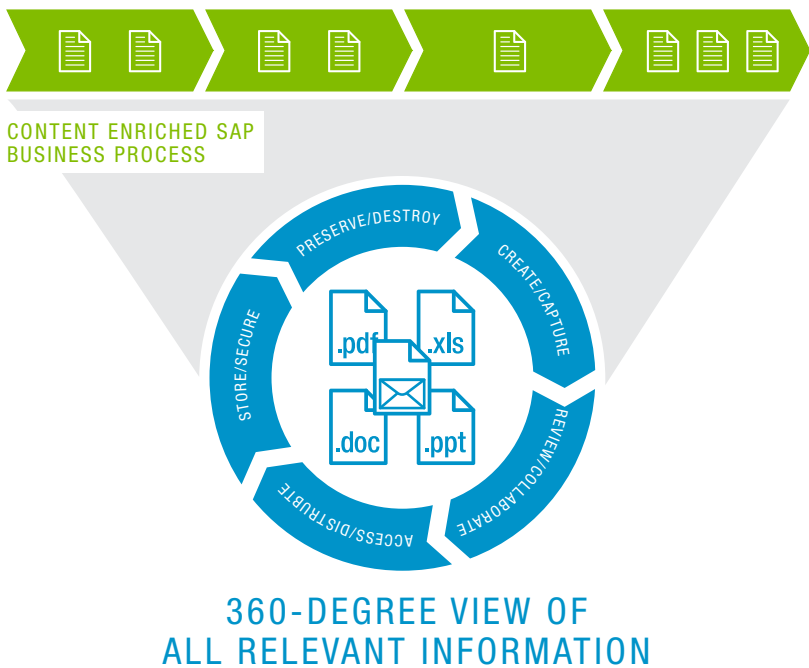


FIGURE 1

Content integrated with Core SAP Business Processes

Three key procurement processes—strategic sourcing, supplier and contract management, and order-to-pay—can be significantly improved by ECM integration.

Strategic sourcing

Strategic sourcing—the procurement process that continuously improves and re-evaluates purchasing activities—involves several specific steps that require you to:

- Assess your current spend (what you buy where)
- Assess the supply market (who offers what)
- Analyze total cost (how much it costs to provide those goods or services)
- Identify suitable suppliers
- Develop a sourcing strategy (where to buy what, considering the demand and supply situation, while minimizing risk and costs)
- Negotiate with suppliers (products, service levels, prices, geographical coverage, etc.)
- Implement a new supply structure
- Track results and restart assessment (continuous cycle)
- Manage supplier risk
- Negotiate with vendors about their specific payment terms

To succeed at strategic sourcing, then, you need more than repeatable processes and efficient collaboration and communication. You must also understand your underlying requirements so you can adopt technology solutions that overcome common barriers.

While many organizations address these challenges, they do so through time-consuming and expensive means. This is particularly the case for companies that lack an effective ECM solution. Without the proper collaborative, integrated information environment—where documentation, emails, orders, contracts, etc. can be easily shared by procurement process stakeholders—employees often don't understand corporate procurement policies and procedures or don't adhere to them. There is also often a lack of communication and collaboration between the departments needing goods and the procurement department doing the purchasing on their behalf, not only slowing supplier relationships, but potentially weakening or damaging them due to poor communications and misunderstanding.

Supplier and contract management

Running an efficient procurement department is often complicated by a number of ECM-related deficiencies. These include:

- Storage of contracts in decentralized locations or siloed applications
- An inefficient approval process due to an inability to see the entire information picture at once
- Poor visibility into contractual obligations, leading to unenforceable contracts, fines, penalties, or litigation
- Ineffective management of key contract milestones such as renewal dates
- Inability to leverage supplier relationships and negotiate discounts because relevant contract information isn't available
- Inability to standardize and automate contract creation—a capability inherent to leading ECM solutions

With inefficient collaboration and communication and disconnected systems and processes, succeeding at supplier and contract management can be greatly hampered.

Best run companies can typically eliminate maverick purchases and achieve a level of eight Full-Time Equivalents (FTEs) per \$1 billion in purchases.

According to the Aberdeen Group, most companies experience rogue purchasing that costs up to 35 percent more than purchases made via pre-established contracts.

Order-to-pay

Like strategic sourcing and supplier and contract management, order-to-pay processes often suffer from poor organizational design, disconnected processes, inefficient technology, and a lack of insight and control. From an organizational perspective, relying on paper-based processes, following out-of-date procedures, and lacking access to the complete information story can become significant pain points. They can lead to excessive costs, interdepartmental confusion, and poor supplier relationships.

For example, companies that can't electronically link their documents to the related SAP procurement transactions often incur high storage, copying, and retrieval-related labor costs. Lack of standardization and back-end ERP integration can lead to overlapping IT systems supporting several custom routines. Similarly, unclear and inaccurate visibility into the process status often results in poor customer relations as well as decreased revenue due to lost contractual disputes.

ECM Drives a Host of Procurement Benefits

OpenText offers a truly unique suite of ECM-based procurement solutions that help organizations fully integrate relevant structured and unstructured content with SAP ERP and SRM platforms. It provides comprehensive control of information, easy collaboration, and targeted communication. At a high level, organizations that adopt these solutions can:

- Achieve a 360-degree view of complete supplier and contract information for all procurement projects
- Enable effective, document-centric collaboration with involved parties
- Achieve full integration with Microsoft Office and Outlook
- Improve governance through a corporate records management program
- Store and preserve content to reduce paper, storage, printing, and copying costs and reduce the risk of data loss due to disaster

Moreover, ECM-based solutions deliver benefits across the procurement lifecycle, providing specific advantages in the areas of strategic sourcing, supplier, and contract management and order-to-pay. These include:

- Improving employee adherence to documented corporate policies
- Mitigating regulatory risk by managing all corporate documents in accordance with an official retention schedule
- Reducing maverick buying by aligning line-of-business needs with the right suppliers
- Minimizing revenue leakage by increasing visibility around key milestones, commitments, and obligations
- Reducing spend by better planning payment schedules, leveraging cash discounts, and controlling liability
- Reducing cost per invoice by minimizing manual data entry and labor-intensive problem resolution

Analysts estimate that 90 percent of all information exists in an unstructured format. Failure to integrate this content into core business procedures—such as strategic sourcing, supplier and contracts management, accounts payable, or purchasing—can translate into labor-intensive processes, higher costs, and reduced customer service.

Best run procurement teams, on average, save 53 percent more when streamlining processes and \$126 per purchase order.

3 APQC OSBCSM Benchmarking Data.

Leverage Procurement to Your Advantage with OpenText ECM

OpenText has been delivering value and driving success with ECM solutions for SAP for more than 20 years, with over 4,500 SAP customers running OpenText. As SAP's leading solution extension partner for content management, OpenText provides fully SAP-integrated, ECM-based procurement solutions.

Based on this experience, we recommend five basic steps organizations should pursue to achieve overall procurement excellence:

Develop consistent processes for procurement that are well-documented and easy for employees to follow.

Optimize supplier relationships by negotiating better rates, payment terms, discounts, etc.; achieving faster shipping times; and removing collaboration boundaries.

Implement strong contract compliance so you can extract more savings and better value during the sourcing process.

Streamline accounts payable by leveraging discounts and workflows for exception handling, and IT technology to reduce invoice payment timelines.

Leverage globalization to manage risk—as best-in-class procurement organizations do—by using strategic sourcing to create a diverse pool of key suppliers, and then holding those suppliers to high performance standards.

We can help you take the next step in making your information work for you by making it the core driver of procurement processes and strategies. With the supply chain as an increasingly critical focus for cost-cutting and productivity improvement, ECM delivers solutions today's organizations can't afford to ignore.

Bringing Order to an Unstructured World

Today's procurement departments need extended content management solutions, not only to manage the quantity of information they must deal with, but to leverage its value. As SAP's chosen ECM provider, OpenText can help you integrate unstructured, procurement-related content directly into your SAP applications, turning your organization's information into a business advantage instead of an administrative, operational, and regulatory burden.

To learn more about how extended ECM solutions can help your organization maximize existing SAP capabilities, **please visit www.opentext.com**.

About OpenText

OpenText enables the digital world by simplifying, transforming, and accelerating enterprise information needs, on premises or in the cloud. For more information about OpenText (NASDAQ: OTEX, TSX: OTC) visit opentext.com.

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