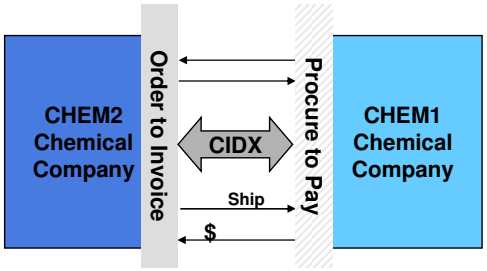
ESA Scenarios for Chemical Industry

THE BEST-RUN BUSINESSES RUN SAP

This session is part of the ESA Demo Series

In this session we will be looking at a scenario from the Chemical Industry.

Business Interactions considered for Chemicals Discussions



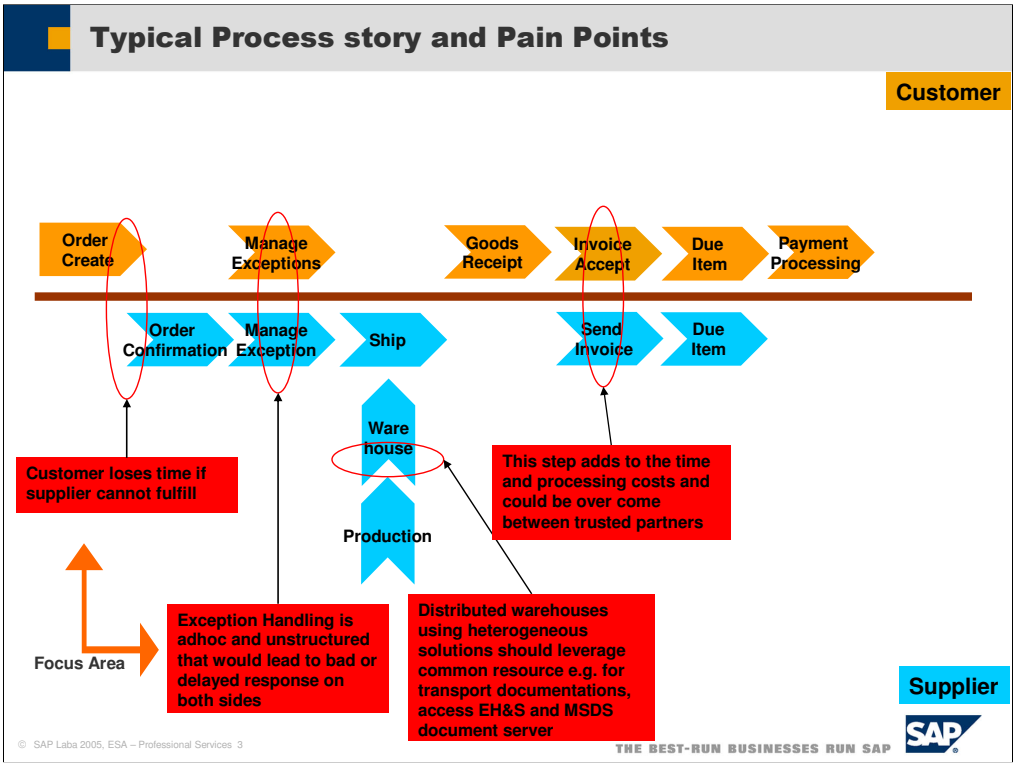
Note: In the scenario, we already see that CIDX already brings in level of automation and efficiency in the process.

The Scenario involves two chemical companies.

There is one chemical company,Chem1, involved in a Procure to Pay process.

Another chemical company, Chem2, will do an Order to Cash Process

One thing to note here is that since both these companies are from the Chemical industry, they are already leveraging CIDX industry standards. This means that the CIDX standard brings a certain level of automation and efficiency to the process



The scenario, when you lay it out, is a very typical buy-sell scenario. It starts with an order create and goes through confirmation, shipment, goods received, invoicing, and finally the payment process from the customer to the supplier. In the context of the chemical industry, this straightforward scenario has a lot of areas that create pain and the scenario offers opportunities for improvements.

The pain points, if we can summarize them, are typically in the following areas:

First, in the order create, and confirmation stage.

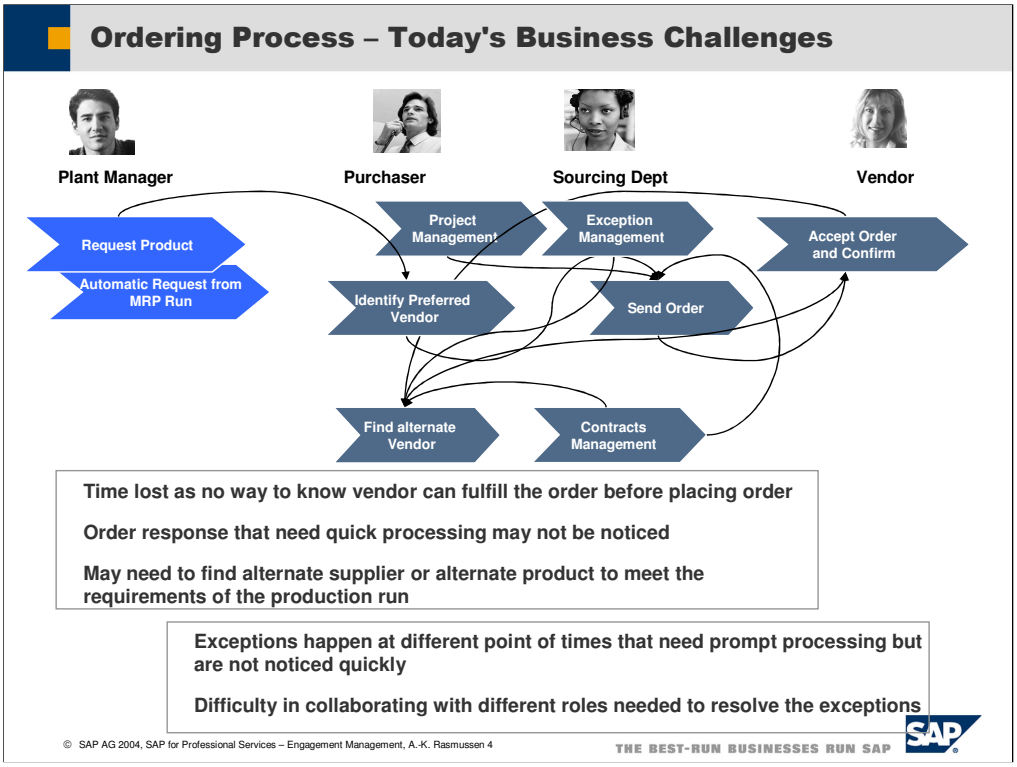
Then, in the way that exceptions are managed within these companies.

The third area of pain is around the warehousing because the warehouses in the chemical industry are typically distributed across various geographies and often they are using systems coming from disparate vendors.

Last, but not least, there is a pain area around the invoicing process.

In this session we will be focusing on 2 areas of pain: 1) **Customer loses time if the supplier cannot fulfill the order and 2) Exception Handling that is adhoc and unstructured, leading to bad or delayed responses on both sides**

In the subsequent slides we will discuss these two pain areas.



Looking closely into the ordering process one can see that there is a great deal going on underneath. The request for a particular product could come from a plant manager out of an MRP run, or it could be coming from an ad hoc request that somehow comes to the purchaser.

A purchaser must determine the preferred vendor and based on this information, send an order to the vendor. At some point the vendor confirms the ability to fulfill the order. Assuming the vendor is unable to fulfill the order, the purchaser must start the process of finding an alternate vendor. There are situations where you need contracts with the new supplier. Eventually, you would have a vendor who was able to send you the material required and you would be able to send an order to the vendor and get a confirmation.

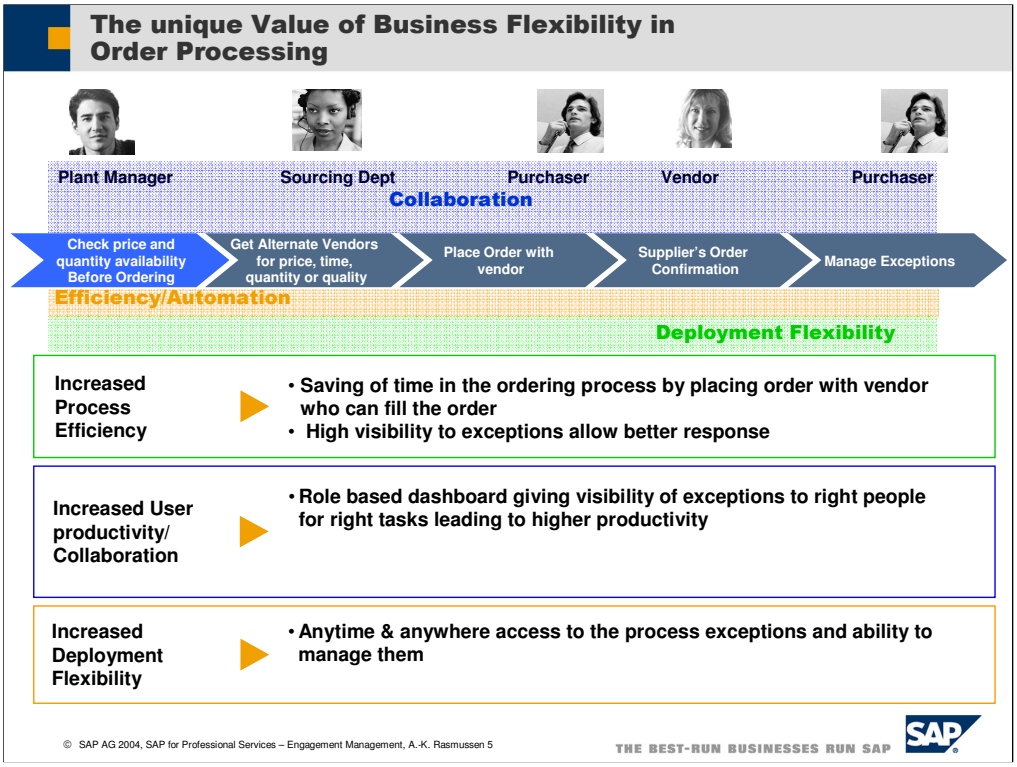
All along these steps one encounters a great deal of exceptions, alerts, and status changes. You need to be on top of them. Often companies find that the time lost in sending an order resulting in a non-confirmation is a very costly thing. It would be preferable to place an order only when a vendor can absolutelyy fill it. Also responses need to be quickly noticed and reacted upon in the communications between vendor and customer.

Lastly, a big area of pain is found in the situation where you need to find alternative vendors for materials. In such an instance you should be readied with all the required documentations, product specifications and all things required in a proper and accurate contract agreement.

At the collaboration level we see that exceptions happening at various points could easily get lost. Sometimes the exceptions go to a person who is not really responsible or goes with improper or incomplete supporting documents and material. In many cases a person receiving an exception often does not know what to do with this it.

Exceptions often require the coordination and collaboration of many people to resolve them. A easy collaboration mechanism is a must.

Often you will see that such collaboration environments are not available in these companies.



Now, when we apply the ESA principles, we see that there is an opportunity for improving the scenario we looked at.

By making simple changes, we can see that automatically, the pains that we encountered earlier, are resolvable.

First of all, by putting in place a checking around price and qty from the vendor, even before placing an order, will make things completely different. Now, you would be in a situation where you will be ordering with a vendor only when you know for sure that the vendor is able to provide the material.

In case the check you just did comes back with the result that vendor is not able to fulfill then you have all the necessary information like the product specifications and the possible alternate vendors or the vendor lists out there from the catalogs available in the market. All this is easily accessible to you to quickly find out who else can provide you at the price, time, qty and quality that is required.

Eventually, you come to the point where you are able to place an order which gets confirmed.

Now, exceptions will come up, but they will be far fewer and far less complex then they would have come earlier.

And by providing the collaboration level with the role based dashboards, the exceptions will become visible easily. The exceptions will go to the right roles with all the right supporting documents so that the decisions and actions can be taken very quickly and with greater confidence.

And also with the collaboration tools, different roles required to work together will be able to do it in a much better way.

So, you can see that by applying the ESA princples here,

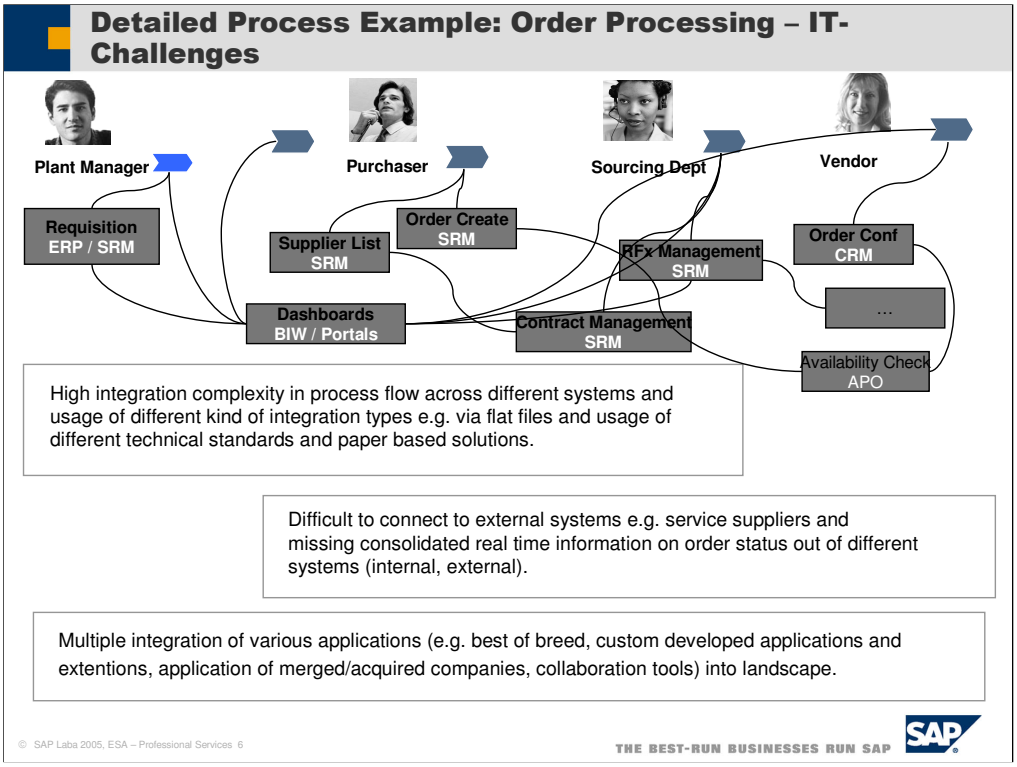
•you have now increased the process efficiency saving time

•giving lots of visibility to the exceptions

•you have better user productivity because exceptions go to roles who are empowered to resolve.

•User productivity increases also because of enhanced collaboration tools and environment created leading to quicker resolution and with greater confidence.

•Moreover, because of the ability to integrate newer devices, tools and technologies, individuals can collaborate from anywhere, anytime.



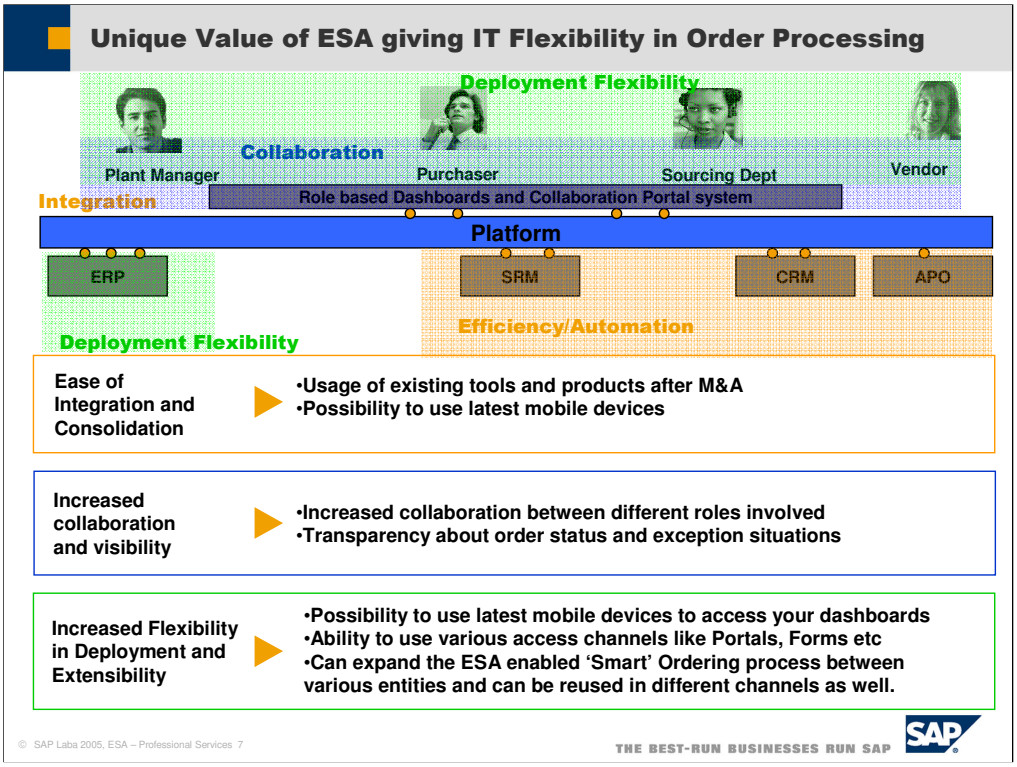
Now, if we look at the same scenario from the IT standpoint, you can see that there are a great many systems involved at different point of times.

The requistion can start either in ERP or SRM. Subsequently, lots of activities need to be done in the SRM space such as finding the preferred vendor, placing the order. In the case where a new supplier has to be brought into the system, we have to start RFx process and Contracting processes, each coming from different systems, requiring different roles to work together.

Finally, the order goes out and gets confirmed again on another system.

The exception that may come in needs to be made visible by various dashboards.

So you can see that in a typical IT shop, you have systems talking point-to-point. It is a highly complex integration nightmare. The complexity is high because each system has its own quirks. Some need flat files, some need a technical standard. Some are only paper based.



And we see that when we apply ESA principles with a platform that provides and support the ESA enablement, the whole landscape can become easy to manage.

Each system provide certain services. Now can have a landscape that be spreadout across geographies and organizational boundaries.

The process can flow smoothly over all the underlying system, where ever they may be.

As long as each system can provide services, then this platform is able to bring together all these individual services and provide high ease of integration.

Provides increased collaboration and visibility.

And ofcourse it provides increased flexibility in your deployment options.

The systems and the people can be anywhere anytime and can still access the application space that they need to work with in a very consistent and easy

In summary, we saw in this presentation that using the ESA principles in this particular chemical scenario, we were able to improve from the business standpoint giving flexibility and time savings. From IT standpoint, we are making IT landscape, solution space, easy to manage, easy to extend and build upon.

In the next session, we will Solution Map of Chemical Industry and see how easy it is to discover services.

Demo

Demo Story

1.Plant Manager requests for a raw material required for a production run.

Plant 3100 Manager

MRP Run Needs Material US-RAW7

3.Purchaser finds that US-VEN2 is referred vendor. (Assumed)
4.Purchaser now starts to check availability of this material with Vendors. We kick this off with a simple UI.

Purchaser in Org 3000

2.Purchase Manager logs in the role-based dashboard and gets the request. (Assumed)

Start Check Availability with Vendor US-VEN2

ATP

Vendor

Order

Check Response If Available

Place Order

5.BPM will check the response and send exceptions to appropriate roles (Assumed).

6.Once the vendor is found that can provide the material, the purchaser places the order

Customer **Supplier**