

Enhancing Supplier Collaboration Solution using SAP SRM



Applies to:

SAP SRM 4.0/5.0. For more information, visit the [Supplier Relationship Management homepage](#).

Summary

Procurement of goods and services using supplier collaboration is gradually gaining popular acceptance among businesses. This paper deals with the various aspects of supplier collaboration solution including challenges, best practices and SRM as a supplier collaboration solution.

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Author Bio

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Why Supplier Collaboration

Supplier collaboration is fast catching the attention of businesses as the supply chains are getting globalized and the focus is on having lean and mean supply chain.

Traditionally supplier collaboration has been associated with procurement of direct materials where in inventory management process is extended to supplier. Solutions like VMI, JIT has been primarily focused on collaborating with suppliers for direct materials. This process leads to reduced over all inventory in supply chain and results in cost savings.

However there can be significant savings by collaborating with suppliers for indirect goods and services as well. Most businesses do have significant indirect spends which provide opportunity to drive down the costs. The areas which can lead to savings for indirect goods and services are:

- Transaction costs associated with order processing
- Entry of Services and Goods
- Paper less invoicing through e invoicing

Business Drivers for Supplier collaboration:

- Reduced cycle time for ordering and payment
- Transactional Cost savings from paperless ordering and invoicing
- Extract long term value from supplier relationships
- Increase supply base globally to leverage maximum savings

Supplier Collaboration Process:

Supplier collaboration process for indirect goods and services can be broadly structured around three processes

Order Collaboration

Buyer:

Create Purchase Order and send to Supplier electronically

Accept PO Acknowledgement from Supplier

Supplier:

Receive Purchase Order

Send PO acknowledgement electronically

Goods/Service Entry collaboration

Supplier:

Enter Goods Receipt/Service Performance

Send electronic goods receipt to buyer

Buyer:

Accept/Reject Goods Receipt from Supplier

Invoice collaboration

Supplier:

Enter Invoice after Goods Receipt acceptance

Send Invoice to buyer/accountant

Buyer:

Accept/Reject Invoice from supplier

In all three processes, a continuous exchange of information and documents takes place between supplier and buyer. Success of a supplier collaboration process very much depends on the solution capability to provide a seamless exchange of information between buyer and supplier.

Major Challenges in Supplier Collaboration:

Supplier adoption strategy: Often lack of proper supplier adoption strategy leads to inefficient and poor supplier collaboration processes. Not all suppliers may be fitting the requirements to be included in collaboration process. This may depend upon volume of business, supplier relationship etc. Businesses need to define a proper supplier adoption strategy to identify suppliers suitable for supplier collaboration processes.

Integration of supplier collaboration system with ERP systems: Most of the point solutions or custom solutions do not have a proper integration with backend ERP systems which leads to problems in accounting and downstream processes.

Security Concerns related to network and data: Web enablement of processes carry the risk of security and data theft.

Infrastructure requirements: Often the hardware and software requirements may prove to be a deterrent for supplier to go for supplier collaboration

Training and change management for suppliers:

Training and transformation of suppliers about supplier collaboration processes is critical to success of a supplier collaboration process.

Best Practices

- Well defined Supplier Adoption Strategy
- Selection of solution which could provide seamless integration with ERP systems
- Well defined supplier training and transformational processes
- Audit of supplier collaboration processes

Solution Using SAP SRM:

In recent times SAP SRM as a supplier collaboration solution has been gaining popularity with businesses. One of the obvious benefits of SAP SRM solution is easy integration with backend SAP ERP system which takes care of any integration hassles.

SAP SRM solution also provides facility of integrating with external supplier's catalogs. This gets rid of content management responsibility from buying company. Along with its Supplier Self Services (SUS) component, it provides order collaboration, service entry and invoice collaboration functionality. SUS is a web based solution which provides a reliable and secure supplier portal for collaborative procurement processes. It can be used for both indirect as well as direct materials procurement. Communication of documents is done using XML format which is widely accepted standard format for document exchange in business process integration.

Related Content

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