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How Are You Elevating Procurement's Role in Your Enterprise?

The Tools and Technologies to Help You Make the Leap

Exclusive Interview with SAP's Chris Salis and Emily Rakowski

The procurement organization has never been afraid of technology. It rode the dot-com wave like many other departments, rolling out e-procurement and reverse auction functionality, while launching public and private marketplaces by the dozens. It used technology to automate routine tasks with the goal of taking the next step and focusing on more strategic areas like supplier risk management and detailed spend analysis.

But for many procurement organizations, that next step didn't come. They got bogged down in resource constraints or budget cuts and never deployed the technology required to truly transform procurement. Now is the time for procurement to take that step. In the current market, many companies are focused on bottom-line savings and top-line growth, and the latest wave of procurement technology can help drive both.

To learn how new innovations are changing the role procurement plays within the enterprise, *SAPinsider* recently spoke with SAP's Chris Salis, Global Vice President of Procurement Solutions, and Emily Rakowski, Senior Director and Head of Procurement Solutions Marketing.

Q: Is the procurement organization more of a leader or a laggard when it comes to adopting new IT functionality?

Salis: Procurement is both a mature user of technology and an area of the enterprise that is ripe for innovation. Procurement processes are very mature, so the technology to automate procure-to-pay and to gather spend data has been around for a long time. Most procurement organizations have picked the low-hanging fruit. And if they have not, the technology is so readily available that a company of any size can implement it and streamline its internal procurement processes or policies fairly quickly. It's the next level — the more strategic processes — where the innovation needs to be applied today.

Rakowski: I agree that procurement is a mature IT user, but is also ready for the next step. In the 1990s, a lot of procurement organizations adopted e-procurement solutions and saw how IT could improve their processes. But many of those organizations didn't continue to optimize the technology they purchased. They implemented the solutions and were happy with the initial benefits, but didn't revisit them to make them as robust as possible.

However, in the last few years — partly as a result of the economic downturn

— we've seen an enhanced adoption curve in procurement technology. Companies are now looking to optimize their existing investments by adding new capabilities such as supplier enablement and connectivity, or by expanding the reach of their e-procurement systems. They also want to use technology to control new areas of spend, such as services, which they couldn't control with their original system.

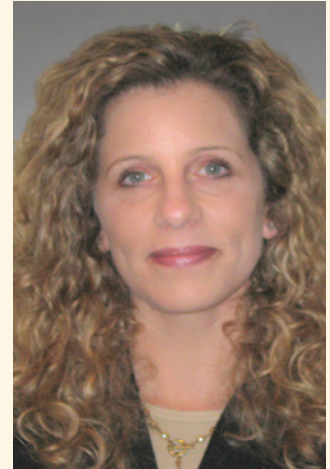
Q: Can you provide more details about the drivers behind that enhanced adoption curve?

Salis: One factor that always drives procurement technology adoption is the fact that it provides provable ROI. A company can implement procurement technology and produce a real, measurable ROI by capturing and understanding the organization's spending before and after the use of the technology. To drive this ROI, procurement organizations have to ensure that the company is properly buying against its contracts and optimizing prices. So even during times of tighter IT spending, procurement technology may get approved when other requests won't.

Today's market is somewhat unique because both bottom-line savings projects and top-line growth initiatives are going a mile a minute. The downturn has certainly raised procurement to a new level of



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visibility in the enterprise when managing costs became a top priority. But at the same time, the current pace of global innovation is as fast as it's ever been, and procurement is increasingly viewed as a partner in that innovation — much more so today than in the past.

Q: How does optimizing existing solutions and adding new functionality change the procurement organization's capabilities?

Rakowski: The automation of procurement processes that took place in the early wave of technology adoption wasn't a real game-changer in terms of what procurement could do. The automation saved time and produced savings, but it didn't help procurement become a strategic asset to the enterprise. But some of the more recent advancements in procurement technology are making the organization more strategic.

Advanced spend analytics is a great example. Spend analytics solutions have been in the market for a few years, but for customers with mature ERP in place, spend analytics is becoming more strategic and optimized. Procurement professionals armed with truly accurate spend data have much more credibility when approaching the lines of business to help them better manage each department's spend. They can have a conversation not just about removing cost from a particular group's bottom line, but also about helping it with big-picture, big-budget projects that involve many suppliers and some potential risk.

Salis: Yes, rather than the procurement organization helping to save \$50 on a laptop, new innovations will enable procurement to work with the business to manage supplier risks through predictive analytics, for example.

Q: What are some of the more advanced capabilities that procurement organizations are using to make this strategic jump?

Salis: Leveraging effective spend analytics tools can empower an organization to deliver the board-level results we're talking about. The most advanced spend analytics solutions enable the procurement organization to accomplish what used to require an army of consultants. SAP offers technology to aggregate and rationalize a company's supply base across business units to provide true visibility into how much the company is spending with certain suppliers across the globe. In the past, that process would have taken a consulting team months to deliver, at a cost of tens of thousands of dollars.

Our new SAP BusinessObjects Data Enrichment and Classification OnDemand solution

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— Chris Salis, SAP

allows the procurement organization to manage its data internally, through a user-friendly graphical interface. This solution performs data classification and enrichment and then it pumps that clean, enriched file into SAP BusinessObjects Spend Performance Management, which allows users to slice and dice the data in many ways.

Rakowski: Early spend analytics tools were effective at spend consolidation, but the data cleansing and classification work was always very manual. These new solutions are so much faster, enabling real-time spend analysis. Users can perform spend analysis on what they spent yesterday or last week, as opposed to last calendar year.

Q: What other new innovations does SAP have for the procurement organization?

Rakowski: SAP has built out a very robust procurement solution portfolio over the last several years that includes spend analysis, sourcing, contract management, operational procurement, invoice management, and more. Here are some of our more recent investments:

- SAP Supplier InfoNet OnDemand is a cloud-based analytic application that provides real-time and predictive visibility into supplier performance data to let users proactively manage the risk and opportunities in the extended value chain.
- SAP Supplier Lifecycle Management is for customers who already own SAP ERP or SAP Supplier Relationship Management (SAP SRM), but don't have an elegant way to manage all of their supplier information and performance management data. This solution streamlines supplier registration, allowing

suppliers to enter their own data and keep it up to date. Users can also complete performance reviews across different business units and have one place to go for a full view of supplier interactions with the business.

- SAP Commodity Procurement, a new extension to SAP ERP functionality, helps customers who are subjected to the intense volatility of commodity markets to more accurately price these commodities and hedge against their exposure.
- Our recent acquisition of Crossgate, a provider of hosted business-to-business integration services, gives SAP users the infrastructure and content they need to quickly connect with their suppliers for more streamlined transaction collaboration.

Add to these investments the power of the SAP ecosystem and the result is a collection of rich capabilities to support the entire procurement process end to end. These investments bring the procurement portfolio together into a holistic set that supports the procurement organization's needs. Moreover, companies that already have a strong SAP backbone can really benefit, taking advantage of the solutions' prebuilt integration with the back-end SAP system.

Salis: We're also continuing to innovate our core procurement technology to address the entire procurement and sourcing process. If you're an existing customer using our core solutions, our last few enhancement package releases have made that core significantly more usable. For example, we recently simplified our shopping cart tool in SAP SRM 7.0, and we plan to release a new, more intuitive interface for the shopping cart functionality fairly soon.

Q: What are the broader effects of the procurement organization having access to these advanced capabilities?

Salis: The procurement organization can now engage in strategic planning conversations with their business units and develop joint plans, increasing procurement's value across the enterprise. Procurement is joining the conversation much earlier in the process and gaining a seat at the table as a respected partner within the business. It can be an initiator of strategic differentiators all the way up to the board level. ■

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— Emily Rakowski, SAP

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