

KDD044 - Procurement Category Management

Status	Approved
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Stakeholders	MCCARTNEY-ext, Stephen ANIDO, Marcela EL YAOUTI, Abide Guyonnaud, Gaëlle

Issue

This Key Decision Document (KDD) serves as a comprehensive guide outlining critical decisions, considerations, and recommendations essential for the implementation and management of Procurement Categories and their strategies with the new S/4HANA system. The current process is manual, fragmented, and disconnected. There is an opportunity to introduce more structure into the category management process by implementing a specialized system to improve efficiency, accuracy, and enhance visibility.

Recommendation

S/4HANA Manage Purchasing Categories is recommended as the Procurement Category Management solution. This recommendation is based on several key factors, including centralized workbench to digitalize and streamline the execution and monitoring of procurement category strategies, the ability to manage activities and tasks associated with individual categories, seamless integration with SAP S/4HANA, an intuitive interface, real-time data access, low maintenance and implementation costs and no additional subscription or license fees.

Background & Context

At the moment, Convergence is used as a repository for category strategies at Syensqo. It is a custom tool that was developed on top of Salesforce, which lacks functionalities for category strategy development, collaboration, spend analysis, performance monitoring and risk management. Being a standalone system, it is unable to directly integrate with SAP ERPs, SAP Ariba Sourcing and others.

The current process is manual, complex, and disconnected. Category strategies are developed by category buyers and are typically established at a global level, with raw material strategies being managed locally. These strategies are reviewed and updated every 3-5 years. For each category, the following information is maintained: Title, Category Manager, Owner, Presentation Date, Validity Date, Strategy Year, Global Yearly Estimated Spend, and an attachment containing the detailed category strategy. There is no formal approval or collaboration process in Convergence; instead, category managers, procurement, and key buyers work together on the strategies and mutually approve them.

Assumptions

- Syensqo's future ERP system will be based on S/4HANA Cloud Private Edition. This is also subject to a separate KDD [KDD026 - SAP S/4HANA Deployment Model](#)

Constraints

Currently, no constraints have been identified.

Impacts

The implementation of a new category management tool can transform the procurement function by enhancing efficiency, accuracy, and visibility. It fosters better collaboration, aligns strategies with business goals, and drives cost savings while mitigating risks. While there are many benefits, we must also be mindful of the challenges, including the initial investment in the category management solution, the need for comprehensive training to ensure user adoption, the migration of category strategies from the existing system, and potential resistance to transitioning to the new system. Migrated category strategies will need to be enhanced by the business with suppliers and material groups relevant to individual procurement categories.

Business Rules

Currently, no specific business rules have been identified. Further updates may be determined during the detailed design phase.

Options considered

Both the SAP Manage Purchasing Categories Fiori App and Ariba Category Management are designed to streamline and optimize category management processes. However, they cater to different aspects of category management and offer unique features. Below is a detailed comparison of the two solutions.

Option A: S/4HANA Manage Purchasing Categories

The SAP S/4HANA Manage Purchasing Categories Fiori App is a user-friendly tool designed to streamline and optimize the management of purchasing categories within the SAP S/4HANA environment. It offers an intuitive interface based on SAP Fiori design principles, providing role-based access to relevant information and functionalities. The app enables users to create, maintain, and analyze purchasing categories, facilitating real-time data access and simplified workflows. By integrating seamlessly with SAP S/4HANA, it ensures a unified experience and enhances the efficiency and accuracy of procurement processes.

Key Features:

1. **User-Friendly Interface:**
 - Intuitive and user-friendly interface based on SAP Fiori design principles.
 - Provides role-based access to relevant information and functionalities.
2. **Category Management:**
 - Allows users to create and maintain purchasing categories, together with responsible category managers, category strategies, participants, and material groups covered.
 - Category managers can create activities with tasks and assign them to selected participants, and track the progress of individual tasks
 - Provides basic spend analysis capabilities within categories.
3. **Integration with SAP S/4HANA:**
 - Integrates seamlessly with SAP S/4HANA, leveraging existing data and processes.
 - Access to real-time data and analytics from SAP S/4HANA.
4. **Simplified Workflows:**
 - Streamlines approval processes for category-related activities.
 - Provides notifications and alerts for key activities and updates.

Strengths:

- **Integration:** Strong integration with SAP S/4HANA, providing a unified experience for users within the SAP ecosystem.
- **User Experience:** Intuitive and user-friendly interface designed for ease of use.
- **Real-Time Data:** Access to real-time data and analytics from SAP S/4HANA.
- **Cost:** Free of charge. It is part of S/4HANA so there is no need to set up and maintain complex integration channels.

Limitations:

- **Limited Advanced Features:** May lack some advanced features and functionalities found in dedicated category management solutions.
- **Scope:** Primarily focused on basic category management and spend analysis within the SAP environment.

Option B: Ariba Category Management

SAP Category Management is a comprehensive solution designed to optimize the procurement process by enabling strategic management of purchasing categories. It provides tools for market analysis, supplier evaluation, and spend data analysis to develop informed category strategies. The solution facilitates collaboration among stakeholders, streamlines sourcing and procurement activities, and ensures compliance with regulatory and internal policies. By leveraging advanced analytics and data integration with SAP systems, SAP Category Management enhances efficiency, drives cost savings, and aligns procurement activities with overall business objectives.

Key Features:

1. **Comprehensive Category Strategy Development:**
 - Advanced tools for market analysis, supplier performance evaluation, and spend data analysis.
 - Identifies cost-saving opportunities and areas for improvement within each category.
2. **Sourcing and Procurement:**
 - Comprehensive supplier management capabilities to ensure optimal performance and compliance.
 - Conducts RFIs, RFPs, and auctions to find the best suppliers and negotiate favorable terms.
3. **Performance Monitoring and Analytics:**
 - Tracks key performance indicators and provides real-time dashboards for monitoring category performance.
 - Generates detailed reports for spend, savings, and supplier performance analysis.
4. **Collaboration and Communication:**
 - Facilitates collaboration with internal stakeholders to align category strategies with business objectives.
 - Enhances collaboration with suppliers to drive innovation and continuous improvement.

Strengths:

- **Advanced Features:** Comprehensive suite of advanced features for category strategy development, sourcing, and performance monitoring.

- **Collaboration:** Strong focus on collaboration with both internal stakeholders and suppliers.
- **Analytics:** Powerful analytics and reporting capabilities for in-depth analysis and decision-making.

Limitations:

- **Complexity:** May require significant time and resources for implementation and training.
- **Integration:** Complex interfaces. Lack of real-time access to analytical and reporting data, which must be imported from S/4HANA.
- **Cost:** Extremely high initial investment and ongoing subscription costs compared to simpler tools.

Option C: Convergence

This is only a theoretical unsustainable option because this custom tool is a simple repository for category strategies, which is missing some of the most important functionalities of a Category Management solution:

- Category strategy development
- Collaboration tools
- Performance monitoring
- Risk management
- Integration Capabilities

Evaluation

The decision matrix provided below offers a structured approach to evaluating and comparing three options for Procurement Category Management. Each option is assessed based on various criteria, including ease of use, category strategy development, performance monitoring, collaboration, compliance and risk management, analytics and reporting, sourcing, customization, integration, implementation costs, maintenance costs, and license and subscription fees. These criteria are assigned weights based on their relative importance to the decision-making process. For each option, ratings are assigned to indicate how well it meets each criterion. The ratings are then multiplied by the corresponding weights, and the weighted scores are summed up to calculate the total score for each option.

Based on the comprehensive evaluation using the decision matrix provided **the recommended Procurement Category Management solution is S /4HANA Manage Purchasing Categories** that comes free of charge and offers a user-friendly centralized workbench to digitalize and streamline the execution and monitoring of procurement category strategies. It provides seamless integration with SAP S/4HANA, an intuitive interface, and real-time data access. Category managers can create activities for each category, assign tasks to individual stakeholders, and monitor their progress effectively.

While all options have their merits and drawbacks, Option A demonstrates the highest overall ranking, indicating its overall alignment with the specified criteria and weighted priorities.

Option B, Ariba Category Management is an advanced category management solution with robust features for category strategy development, sourcing, and performance monitoring. However, there are several considerations that make this solution less advantageous or challenging and it should be carefully considered, weighing the potential benefits against the challenges and extremely high costs associated with licenses for Ariba Category Management, complex interfaces, maintenance and support challenges, and overlap in functionality.

Criteria	Weight	Option A	Option B	Option C
		S/4HANA Manage Purchasing Categories	Ariba Category Management	Convergence
Ease of Use - User Interface	VH	Very High	High	High
Category Strategy Development	VH	Medium	High	Low
Performance Monitoring	H	Medium	High	Low
Collaboration	M	High	High	Low
Compliance and Risk Management	M	Medium	High	Low
Analytics and Reporting	H	Medium	Medium	Low
Sourcing	M	Low	High	Low
Customization	M	Medium	Medium	Very High
Integration	H	High	High	Low
Implementation Costs	H	Low	High	Medium
Maintenance Costs	VH	Low	High	Low
Licenses & Subscriptions	VH	Low	Very High	Medium
Overall		High	Medium	Low

See also

File	Modified
File FOR APPRoVAL - KDD044 - Procurement Category Management.eml	Sept 11, 2024 by FALL-ext, Cheikh
Microsoft Word Document Meeting Minutes - Business Review of KDD - Procurement Category Management.docx	Sept 09, 2024 by RUSNAK-ext, Peter

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Change log

Version	Published	Changed By	Comment
CURRENT (v. 21)	Sept 09, 2024 08:35	WENNINGER-ext, Sascha	
v. 20	Aug 28, 2024 12:34	RUSNAK-ext, Peter	
v. 19	Aug 28, 2024 12:18	NARAHARI-ext, Bhargavi	
v. 18	Aug 28, 2024 12:16	NARAHARI-ext, Bhargavi	
v. 17	Aug 26, 2024 15:04	RUSNAK-ext, Peter	
v. 16	Aug 26, 2024 14:25	RUSNAK-ext, Peter	
v. 15	Aug 26, 2024 10:07	RUSNAK-ext, Peter	
v. 14	Aug 22, 2024 10:51	RUSNAK-ext, Peter	
v. 13	Aug 20, 2024 11:17	RUSNAK-ext, Peter	
v. 12	Aug 20, 2024 10:07	RUSNAK-ext, Peter	
v. 11	Aug 19, 2024 16:12	RUSNAK-ext, Peter	
v. 10	Aug 19, 2024 16:10	RUSNAK-ext, Peter	
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v. 8	Aug 19, 2024 14:54	RUSNAK-ext, Peter	
v. 7	Aug 15, 2024 16:06	RUSNAK-ext, Peter	
v. 6	Aug 15, 2024 16:03	RUSNAK-ext, Peter	
v. 5	Aug 15, 2024 15:58	RUSNAK-ext, Peter	
v. 4	Aug 15, 2024 14:33	RUSNAK-ext, Peter	
v. 3	Aug 15, 2024 14:26	RUSNAK-ext, Peter	
v. 2	Aug 13, 2024 17:02	RUSNAK-ext, Peter	
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Workflow history

Title	Last Updated By	Updated	Status
There are no pages at the moment.			

Workflow history

This view shows the 5 most recent entries. The complete workflow log is available from the 'Document Activity' menu item.

Sept 11, 2024	Actor	Type	Activity	Version
Approved	 FALL-ext, Cheikh	State	changed state to Approved at 8:53 am	v21
Pending SteerCo Review	 FALL-ext, Cheikh	State	gave <i>Final Approval</i> approval at 8:53 am	
		State	changed expiry date to '25 Sept, 2024 08:53 am' at 8:53 am	
		State	changed state to Pending SteerCo Review at 8:53 am	v21
Pending Stakeholder Review	 FALL-ext, Cheikh	State	gave <i>Stakeholder Review</i> approval at 8:53 am	
Sept 09, 2024				
	WENNINGER-ext, Sascha	Edit	updated the page at 8:35 am	
		State	changed expiry date to '16 Sept, 2024 06:36 am' at 6:36 am	
		State	changed state to Pending Stakeholder Review at 6:36 am	v21
Edited following DA Endorsement	WENNINGER-ext, Sascha	State	gave <i>Minor change</i> approval at 6:36 am	