KDD041 - Indirect Procurement using S/4HANA

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

Issue

The purpose of this Key Decision Document (KDD) is to elaborate on the solution recommended to manage the indirect procurement process, on the new S/4HANA system.

Recommendation

"Guided Buying with S/4HANA" is recommended as the indirect procurement process for Syensqo. This recommendation is based on several key factors, including a high degree of integration with S/4HANA, simplified and intuitive user interface for procurement tasks while ensuring policy compliance for everyday purchases, and the strategic alignment within the SAP ecosystem.

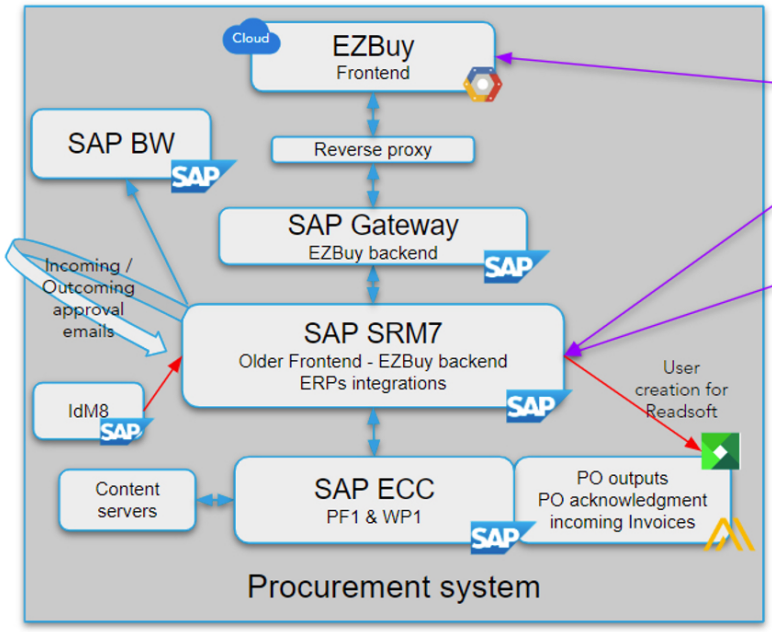
Background & Context

Currently, all indirect purchases for both goods and services are handled in SAP SRM7 that works with both ERP systems. EZBuy platform that is built on top of SRM7 offers an “Amazon like” experience and serves as the gateway to Ariba Catalogs. Here, shopping carts for non-stock catalog items are assembled and then sent back to SRM7 for the approval and ordering processes to proceed.

Ariba Catalogs are utilized by 14 countries, encompassing a total of 200 internal non-stock material catalogs and 140 punchout catalogs.

During the fourth quarter of 2023, more than 90k Purchase Order (PO) line items were created, with 37% of these being catalog line items.

Below is the architecture of the existing procurement solution. EZBuy is just a frontend, the whole business logic and data are in SRM7.



	Mandatory system for a working SRM7	Mandatory system for working EZB
ECC	X	X
GATEWAY		X
SRM7	X	X
EZBUY		X

Plant Maintenance Integration - Catalogs

Currently there are two ways for users to create Purchase Requisitions for non-stock items (indirect materials, Services) for Plant Maintenance work orders:

1. Use SRM7 and utilise the above catalogs to create pre-sourced item quickly and easily, but that only creates a financial charge to the WO
2. Manually create the items in the Plant Maintenance Work Order and PM auto-creates the PR in SAP, but has to be sourced

Having two processes means that the investment made in 340+ catalogs can be used by PM users, but it leads to confusion and impacts on PM reports.

Requisitions created automatically by PM Work Orders are sent to SRM7 for approval by a customisation so that all approvals follow the same process.

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
- Every Syensqo user holds a license to create purchase requisitions in S/4HANA.

Constraints

- The SAP SRM product is effectively deprecated; it will exit mainstream maintenance in 2027 and SAP have been for some time migrating its functionality into Ariba
- S/4HANA and SAP SRM cannot be installed on the same system.
- The procurement solution of S/4HANA is not a successor of SAP SRM and it has limited capabilities compared to SAP SRM.
- "Procure to Pay with SAP Ariba Buying and Invoicing" process is deprecated and will not be enhanced in upcoming releases. SAP recommends to use "Guided Buying Capability with SAP Ariba Buying" instead.
- Plant Maintenance Work Orders also generate Purchase Requisitions for indirect items. These will need to be approved by the same mechanism as 'normal' indirect spend.
- SAP's direction is to promote the use of Lean Services, however as of 2024 this is not yet mature and misses integration to several other important modules, e.g. Plant Maintenance. This limits the usefulness of the S/4HANA Self-Service Procurement app, which only supports Lean Services and not traditional service.
- Planned lean services and item category "D" are supported in Guided Buying, but not by the new Fiori apps delivered inside S/4HANA for more user-friendly services procurement. However, item category "D" (i.e. traditional, non-Lean Services) is not delivered as pre-configured in S/4HANA and must be manually set up for new installations.

Impacts

Implementing Guided Buying with SAP Ariba Buying can significantly enhance the procurement process, offering benefits in terms of user experience, compliance, efficiency, and cost savings. However, the transition requires careful planning considering factors such as change management, system integration, and user training to fully realize these benefits

- **Change Management**: Implementing a new system requires effective change management to ensure user adoption and to realize the full benefits of the platform.
- **Integration**: Integration of Guided Buying with S/4HANA cloud or other systems needs to be carefully planned to ensure seamless data flow and process continuity.
- **Training and Support**: While Guided Buying is designed to be intuitive, providing adequate training and support is crucial to help users navigate the new system and processes effectively.

Business Rules

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

Options considered

Indirect procurement, which involves the acquisition of goods and services that are not directly incorporated into a product being manufactured, can be managed through various solutions, each offering distinct features and capabilities.

The main objectives of indirect procurement are:

- **Standardization:** Standarized processes & tools are key to drive visibility, automation and compliance as basis for value delivery by procurement
- **Transparency**: Achieve full cost control and booking quality of our indirect spend: Where, When and How do we spend our money
- **Compliance**: Ensure compliance to policies, standards & negotiated contracts and eliminate maverick buying
- **Efficiency**: Reduce transaction time for all requesters / approvers / buyers and minimize manual effort with a digital easy-to-use purchase-to-pay process
- **Savings**: Drive active spend management through bundled and negotiated catalogs and services

In order to achieve these objectives and to enhance user adoption, it is essential to have an easy-to-use and intuitive tool with a simple UI that can guide thousands of casual users, helping them effortlessly find and purchase materials or services.

Most users involved in indirect procurement are casual users who make infrequent purchases or functional users who buy on behalf of their departments. Since they are not professional buyers working with the indirect procurement system daily, they are prone to maverick buying if the tools they use are overly complicated and not intuitive.

Option A: SAP SRM 7 (As-Is)

SAP SRM 7 is a legacy procurement solution designed to optimize the procurement process, focusing on supplier collaboration and efficiency. This is what Syensqo uses as of 2024 with ECC.

However, the SRM product is reaching the end of its lifecycle, with product support by SAP ending in 2027. Furthermore it is not natively included or sp ecifically designed to run as part of the S/4HANA suite. Its Shopping Cart functionality was replaced with the S/4HANA Self-Service Procurement functionality based on the Purchase Requisition document. This is thus not a feasible option for the future design.

Option B: SAP S/4HANA Self Service Procurement Fiori App

SAP S/4HANA has a simplified Fiori App that acts as a shopping cart tool similar to SRM or Ariba Guided Buying. It is part of the larger SAP S/4HANA Enterprise Resource Planning (ERP) suite, offering catalog, non catalog and limit PO functionalities. The SAP S/4HANA Self Service Procurement Fiori App is designed to streamline the procurement process by enabling employees to create and manage their own purchase requisitions. This app is part of the SAP Fiori suite, which provides a user-friendly interface and enhances the overall user experience. However, it does not support item category "D" for services, only lean services are supported.

Here are some key features and benefits of the Self Service Procurement Fiori App:

- **Integration**: The S/4 HANA Self Service Procurement app directly creates Purchase Requisitions in S/4 HANA itself, ensuring data consistency and accuracy across the procurement process. One of its key strengths is its deep integration with other modules within the S /4HANA suite, such as Finance (FI), Controlling (CO) and more.
- **User-Friendly Interface:** The app offers an intuitive and easy-to-navigate interface, making it accessible for users with varying levels of technical expertise. Users can browse and select items from internal or external catalogs, ensuring they have access to a wide range of products and services.
- **Functionality**: S/4HANA App is a simpler and easier to use UI than SRM or the manual creation of Purchase Requisitions. In its standard state it is not as easy to use or as intuitive as Best Of Breed type solutions like Ariba, but the Fiori UI Adaption tools can be used to simplify and improve the user experience without creating a custom app and without significant development effort.
- **SAP Fiori Standard:** As a standard SAP Fiori App its use is included in the standard S/4 HANA licenses.
- **Real-time data:** Integration with SAP S/4HANA ensures that users have access to real-time data, improving decision-making and reducing the risk of errors.

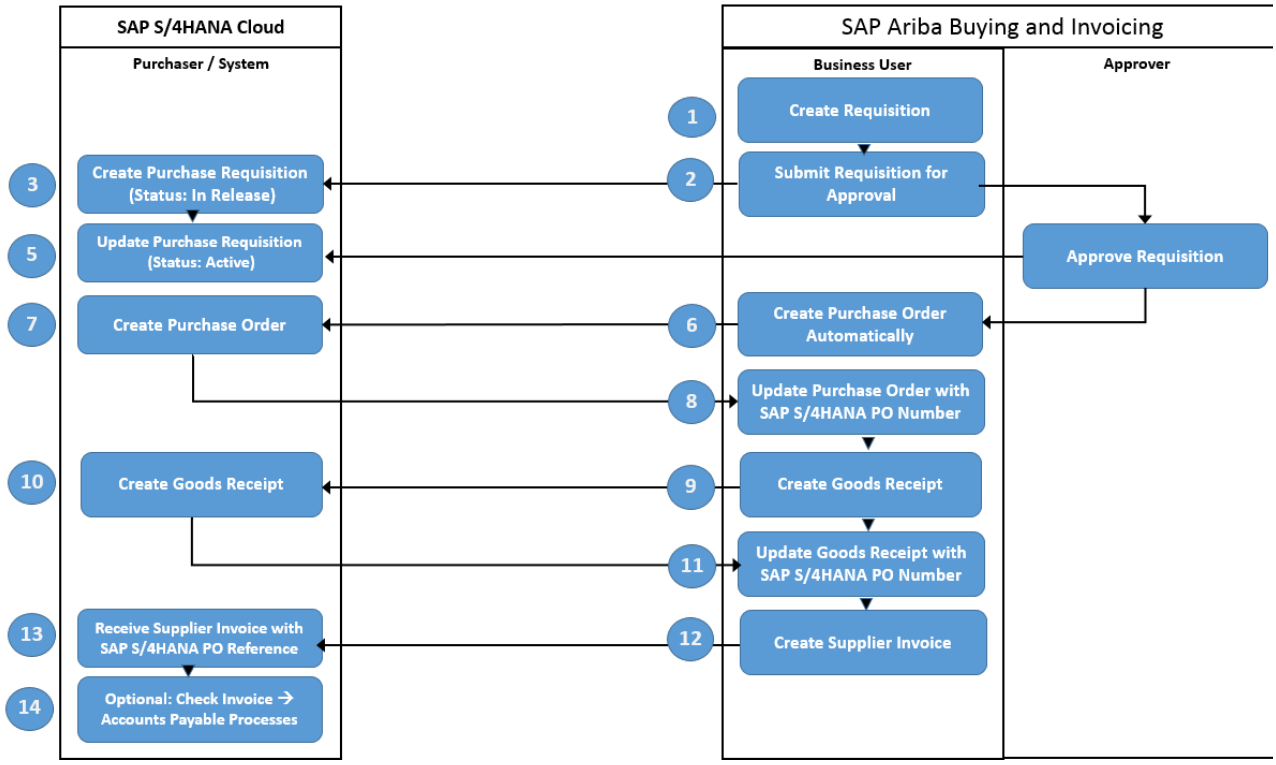
Option C: Procure to Pay with SAP Ariba Buying

SAP Ariba Buying is a comprehensive cloud-based procurement solution designed to manage the end-to-end procure-to-pay process. It offers a wide range of functionalities to automate and optimize procurement tasks. This process is represented by SAP-standard scope item 1ZM.

Procure to Pay with SAP Ariba Buying combines the simple and elegant shopping experience and the user guidance of Ariba Buying and Invoicing with integrated business processes and data transparency of SAP S/4HANA Cloud as the digital core.

- **Comprehensive Procurement Solution**: It covers all aspects of the procurement process, from requisition to payment, including supplier management, contract management, and spend analysis.
- **Customization and Control**: Offers extensive customization options to tailor the procurement process to the specific needs of the organization. This includes custom workflows, approval rules, and integration capabilities with ERP systems like SAP S/4HANA.
- **Collaboration and Supplier Management**: Facilitates direct collaboration with suppliers through the Ariba Network, enabling efficient communication, negotiation, and performance tracking.
- **Spend Visibility and Control**: Provides detailed insights into procurement spending, helping organizations to identify savings opportunities and enforce compliance with procurement policies.

The following picture illustrates the process. However, although this process is the most-frequently used by existing Ariba customers, the process became deprecated by SAP in 2021, and will not be enhanced in upcoming releases. Therefore, it is not a viable option for the future.

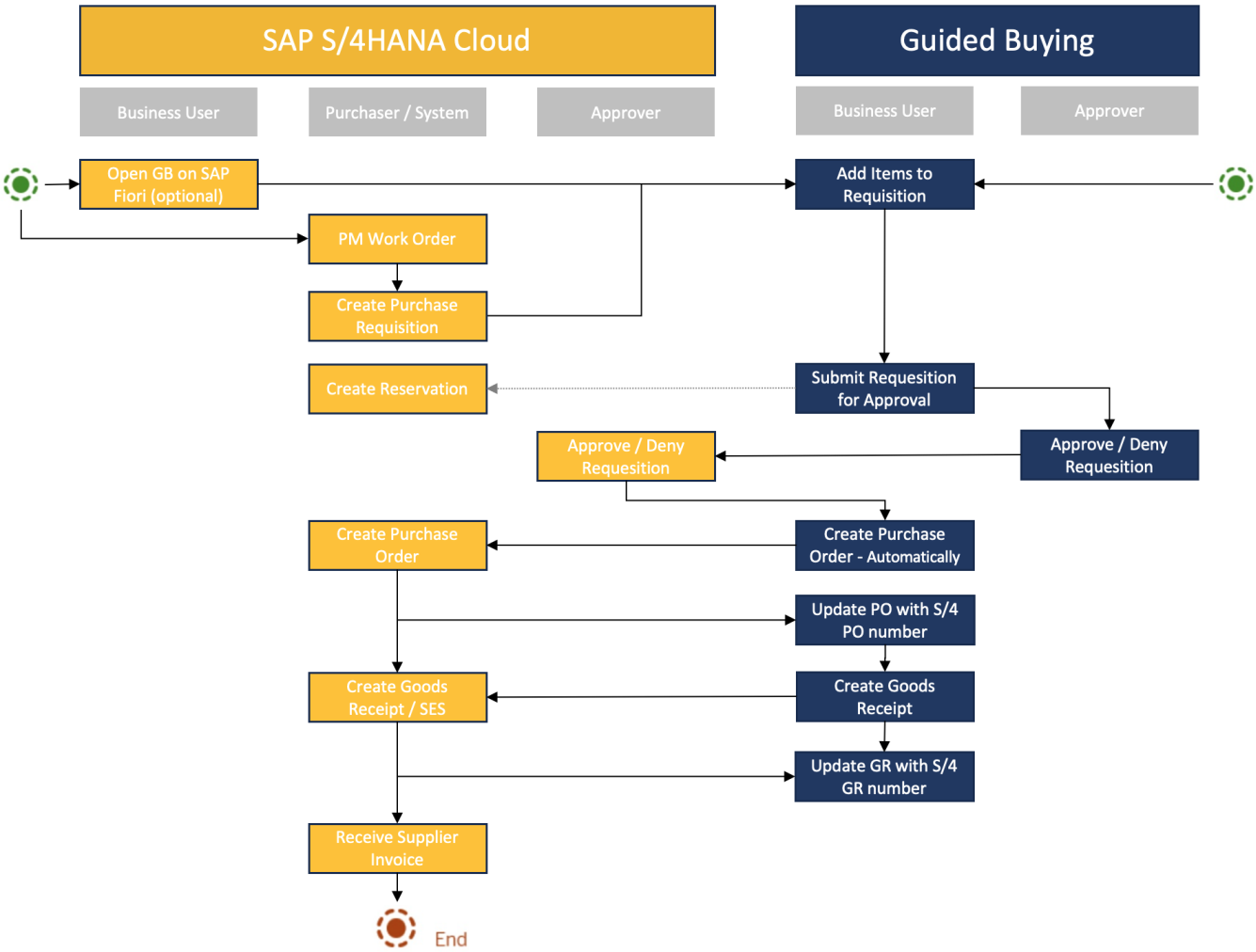


Option D: Guided Buying with S/4HANA

Guided Buying is an add-on capability to SAP Ariba Buying that focuses on enhancing the user experience by providing a simplified and intuitive interface for procurement tasks. It is designed to help users make the right purchasing decisions in compliance with company policies. It combines the guidance for requisitioners provided by guided buying with the proven procurement processes provided by SAP S/4HANA Cloud.

- **User Experience**: Guided Buying stands out for its user-friendly interface, designed to provide a consumer-like shopping experience. It guides users to the right items and preferred suppliers, making it easier for employees to purchase goods and services in compliance with company policies.
- **Policy Compliance**: Guided Buying helps enforce procurement policies by guiding users to approved suppliers and negotiated contracts, thereby ensuring compliance and leveraging pre-negotiated savings.
- **Spot Buy Capability**: Includes features like Spot Buy for handling non-sourced or emergency purchases by accessing a curated catalog of suppliers for immediate needs.
- **Integration**: While Ariba can be used as a standalone procurement solution, it also offers integration capabilities with SAP S/4HANA and other ERP systems, ensuring data consistency and process efficiency across platforms.
- **Supplier Network**: Ariba's extensive supplier network is a significant advantage, offering access to a wide range of suppliers and enabling competitive sourcing, supplier discovery, and collaboration.
- **Plant Maintenance Integration:** Guided buying can be integrated with the PM module and allow catalog items to be called from the Work Order.
- **Approvals in S/4 HANA:** This process allows approvals in S/4 HANA for indirect spend allowing the same approval setup to cover normal indirect spend and Purchase Requisitions from Plant Maintenance Work Orders.
- **Service procurement:** Supports planned lean services, services with item category "D", limit items with item category "B", as well as simple services.

In this scenario, employees create requests for catalog items, existing materials, planned lean services, limit items for material and service, or free-text items by adding them to a request in Guided Buying. Then the request is replicated to SAP S/4HANA Cloud, where a purchase requisition is created and approved. In the request in Guided Buying, employees can see the document numbers of the follow-on documents that were created in SAP S /4HANA Cloud.



The table below provides a snapshot of the key advantages and disadvantages associated with each procurement solution.

	Option A: SRM7	**Option B: S/4HANA Self Service Procurement App**	**Option C: P2P with Ariba Buying**	**Option D: Guided Buying with S/4HANA**
Pro	• Comprehensive P2P functionalities • Strong supplier collaboration • Centralized procurement control • High degree of customization	• Simplified and user-friendly interface • Standard SAP Fiori App • No subscription costs • Native integration with S/4HANA modules • UI of App can be improved by Fiori UI Adaption tools • Real-time data • Minimal additional maintenance	• Scalable cloud-based solution • Comprehensive P2P functionalities • Collaboration with suppliers • Spot Buy capabilities	• User-friendly interface with GB features • Enhances policy compliance • Comprehensive P2P functionalities • Spot Buy capabilities • Tactical Sourcing capabilities • Seamless integration with S/4HANA • Integrates with PM module • Allows Approvals on S/4 HANA

Con	• Less intuitive user interface • Not natively supported by S /4HANA • Nearing end of life in 2027	• Improvement on SAP standard offerings, but UI still best suited to users who understand SAP • Requires effort to improve UI (but not a full scale enhancement) • Will not likely meet same user experience and functionalities as Best of Breed, proven indirect procurement tools but a viable solution • Missing Tactical Sourcing and policy compliance features • Services with item category "D" are not supported	• Learning curve for new users • Ongoing subscription costs • Deprecated by SAP since 2020. • Does not allow Approvals on S /4HANA	• Limited customization for complex processes • Ongoing subscription costs • Guided Buying is an additional system that requires maintenance along with its interfaces to S/4HANA, resulting in additional costs.

Option A "SRM7" is not natively supported by S/4HANA and since SRM7 is also nearing end of lifecycle it is not recommended as a long term solution.

Option B "S/4HANA Self Service Procurement App" offers deep integration with other S/4HANA modules and a simplified, user-friendly interface for both catalog and non-catalog purchases, all without additional subscription costs. However, it does lack some features found in best-of-breed indirect procurement tools.

Option C "P2P with SAP Ariba Buying" has been deprecated and will not be enhanced in upcoming releases and therefore it is not recommended as a long term solution.

Option D "Guided Buying with S/4HANA" merges the benefits of option B and option C, while introducing additional features aimed at simplifying the buying process and enhancing compliance with procurement policies. Additionally, it natively integrates with S/4HANA. However, as an extra system, it incurs ongoing subscription and maintenance costs.

Evaluation

The decision matrix provided below offers a structured approach to evaluating and comparing four options for indirect procurement process in S /4HANA. Each option is assessed based on various criteria, including ease of use, learning curve for casual users, guided buying and spot buy capabilities, policy compliance controls, sourcing capabilities, long term support, 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, for organisations running SAP S/4HANA Cloud, Private Edition, the recommended indirect procurement process is **Guided Buying with S/4HANA** that combines the guidance for casual users in Amazon like UI provided by Guided Buying with the proven procurement processes provided by SAP S/4HANA Cloud.

While all options have their merits and drawbacks, both option B and option D demonstrate the highest overall ranking, indicating its overall alignment with the specified criteria and weighted priorities.

S/4HANA Self Service Procurement (option B) is a cost-effective solution with essential procurement functionalities and deep integration with S /4HANA modules. On the other hand, Guided Buying with S/4HANA (option D) offers advanced features focused on user guidance and compliance, but comes with additional subscription and maintenance costs. Integrating Guided Buying with S/4HANA might seem like an appealing idea to leverage the strengths of both systems. However, there are several considerations that might make such an integration less advantageous or challenging for organisations and it should be carefully considered, weighing the potential benefits against the challenges and costs associated with additional licenses for Guided Buying, interfaces, increased complexity, maintenance and support challenges, and overlap in functionality.

Ultimately, the choice between S/4HANA Self Service Procurement and Guided Buying with S/4HANA depend on an organisation's specific needs, technology ecosystem, complexity and strategic priorities.

If the main focus is on a simplified and user-friendly UI that is deeply integrated with other S/4HANA modules, and a streamlined environment with no additional subscription costs and minimal maintenance, albeit potentially missing some advanced features available in best-of-breed indirect procurement tools and lack of service procurement with item category "D", then the recommended indirect procurement solution is S/4HANA Self Service Procurement.

If the main focus is on an enhanced Amazon like user interface with guided buying features designed to simplify the buying process and improve compliance with procurement policies, and the organization is prepared to handle ongoing maintenance and additional subscription costs, then the recommended solution is Guided Buying with S/4HANA.

Option A "SRM7" is not natively supported by S/4HANA and since SRM7 is also nearing end of lifecycle it is not recommended as a long term solution, similarly as Option C "P2P with SAP Ariba Buying" that has been deprecated and will not be enhanced in upcoming releases and therefore it is not recommended as a long term solution.

Criteria	*Weight*	Option A **SRM7**	*Option B* **S/4HANA Self Service Procurement**	*Option C* **P2P with Ariba Buying**	*Option D* **Guided Buying with S/4HANA**

Ease of Use - User Experience	VH	Medium	High	Medium	Very High
Learning curve - Change Management	VH	Medium	High	Medium	Very High
Guided Buying	H	Medium	High	High	Very High
Service Procurement	H	Medium	Low	High	High
Spot Buy capabilities	M	Low	Low	High	Very High
Policy Compliance controls	M	Medium	Medium	Medium	Very High
Sourcing capabilities	L	Low	Medium	High	Very High
Long Term Support	VH	Low	High	Low	High
Integration	VH	Medium	Very High	Medium	High
Implementation Costs	H	High	Medium (UI changes)	High	High
Maintenance Costs	VH	High	Low	High	High
License/Subscription Costs	VH	Very High	Low	Very High	High
Overall		**Low**	**Medium**	**Medium**	**High**

See also

Document explaining Guided Buying integration to PM Guided Buying in S/4 HANA

File	Modified
File FOR APPROVAL - KDD041 - Indirect Procurement.eml	Sept 11, 2024 by RUSNAK-ext, Peter
PDF File Workspace Mail - Fwd_ FOR APPROVAL - KDD041 - Indirect Procurement.pdf	Sept 11, 2024 by FALL-ext, Cheikh
Microsoft Word Document Meeting Minutes - Business Review of KDD - Indirect Procurement. docx	Sept 09, 2024 by RUSNAK-ext, Peter

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Change log

Version	Published	Changed By	Comment
CURRENT (v. 53)	**Sept 06, 2024 12:20**	**RUSNAK-ext, Peter**	
v. 52	Sept 06, 2024 12:18	**RUSNAK-ext, Peter**	
v. 51	Sept 03, 2024 10:55	**RUSNAK-ext, Peter**	
v. 50	Aug 29, 2024 17:05	**RUSNAK-ext, Peter**	
v. 49	Aug 22, 2024 11:58	**WENNINGER-ext, Sascha**	
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v. 47	Aug 22, 2024 11:52	**WENNINGER-ext, Sascha**	
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Sept 11, 2024	Actor	Type	Activity	Version
Approved	FALL-ext, Cheikh	State	changed state to Approved at 12:26 pm	v53
Pending SteerCo Review	FALL-ext, Cheikh	State	gave *Final Approval* approval at 12:26 pm	
		State	changed expiry date to '25 Sept, 2024 12:26 pm' at 12:26 pm	
		State	changed state to Pending SteerCo Review at 12:26 pm	v53
Pending Stakeholder Review	FALL-ext, Cheikh	State	gave *Stakeholder Review* approval at 12:26 pm	
		State	changed expiry date to '18 Sept, 2024 12:26 pm' at 12:26 pm	
		State	changed state to Pending Stakeholder Review at 12:26 pm	v53
Edited following DA Endorsement	FALL-ext, Cheikh	State	gave *Minor change* approval at 12:26 pm	
From Aug 29, 2024 to Sept 06, 2024				
	RUSNAK-ext, Peter	Edit	updated the page at 5:05 pm	