

WHITEPAPER

EASY Procurement Management for SAP Solutions

For the 360-degree view in purchasing and all
sub-processes of procurement management





The digital procurement process in SAP®: step on the gas, not on the brakes

In times of global and often volatile markets, procurement management plays a special role in companies. Its efficiency has a direct influence on company profits. Those who purchase in a timely fashion at the best conditions and design the process to be

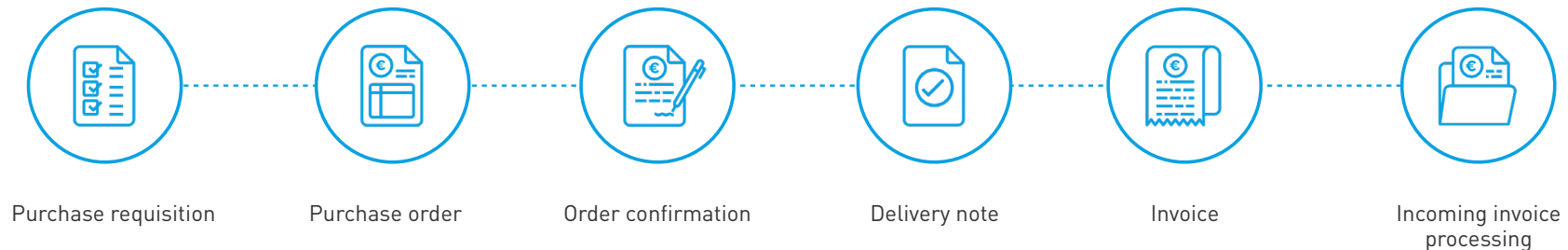
transparent will retain an advantage. In this whitepaper, you will learn how to optimise and more effectively design the procurement process in your company in order to be ready for the future¹.

¹ According to a 2017 Mercateo study (in cooperation with the Leipzig University of Applied Sciences), digital procurement processes generate a savings potential of over 40%.

A closer look at the traditional procurement process

Before we consider the automated, digital procurement process, we'll take a brief look at a conventional procurement process. Afterwards, the advantages of the digital procurement process will be clearly apparent.

Just the term “procure-to-pay” shines some light in the darkness. The procurement process describes all of the processes from purchasing to payment. It is not difficult to see that these processes consist, in turn, of subprocesses.



At the heart of these subprocesses which make up the procurement process is the exchange of data. And with external suppliers as well as between different departments in the company; on top of that are the internal approval and validation processes.

The more this process is based on paper and the more locations the company has, the more the chance of error increases. Time for the digital procurement process in SAP®, which unites all subprocesses, thus avoiding a loss of information.

Pitfalls & stumbling blocks in the traditional procurement process

- Media disruptions in the process flow between purchase requisition, arriving order and invoice
- Lack of transparency through paper-based processes, especially in companies with several locations
- Context between purchase requisition, order and invoice is completely lost if one of these paper documents is lost; and must be restored through time-consuming and laborious research
- Additional work for employees through searching for documents
- Discount losses
- Dates and deadlines are missed
- “Maverick buying” outside of Purchasing; often at worse conditions²

² According to the BME/BCG study, only a quarter of companies earned a non-critical maverick buying rate of less than five percent of total procurement expenses. From: Procurement 2020: Mean, Keen oder Lean?“, Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. & Boston Consulting Group.



In the fast lane with **EASY Procurement Management for SAP Solutions®**. We **improve** and **refine** processes from **SAP® MM®/ SRM®** and offer every user a function set adapted to their role: whether **Fast Close** for a lean, fast company financial statement in Accounting or informative **Dashboards** with deep drilldowns for perfect monitoring. Overlooking and forgetting are things of the past – no matter if it's on a mobile device with SAP® FIORI® or in the office in the standard SAP® Standard-GUI.



Status in your company?

But how do you avoid these stumbling blocks? In short, how do you design the procurement process to be more efficient, more transparent and more profitable – for everyone involved? Rely on the clarity of digital processes, rely on EASY Procurement Management. With the digital solution, you can automate and link the procurement management subprocesses.

When they're lined up like beads on a string, there is no longer the risk of losing information between the purchase requisition, order intake and invoice

processing subprocesses – they are held together by the digital paperclip of contract management.

Here, increases in efficiency and transparency ultimately offer money. But be careful. Before setting off without a well-formulated roadmap, you should first get a clear overview of the current status of procurement management in your company. Otherwise, you run the risk of getting lost in the minutiae of the extensive procurement process.



How efficient is your procurement process?

It is obvious that the right answer can only follow the right question. Only that way you will succeed in the first step towards more efficiency in your procurement process. Take a close look at the current status of procurement management in your company. Scrutinize processes and solutions. Just because processes were established ages ago doesn't mean the most efficient solution was found. Examine the processes of the departments – from Purchasing to Bookkeeping to Contract Management.

The following are examples of questions which could be helpful:



Does your company have a central Purchasing department, or do employees in the various departments order on their own?



Do your employees use product catalogs/supplier portals for ordering, thereby gaining the advantage of better terms?



Does the procurement process in your company have an approval procedure for orders?



Are there uniform procurement guidelines?

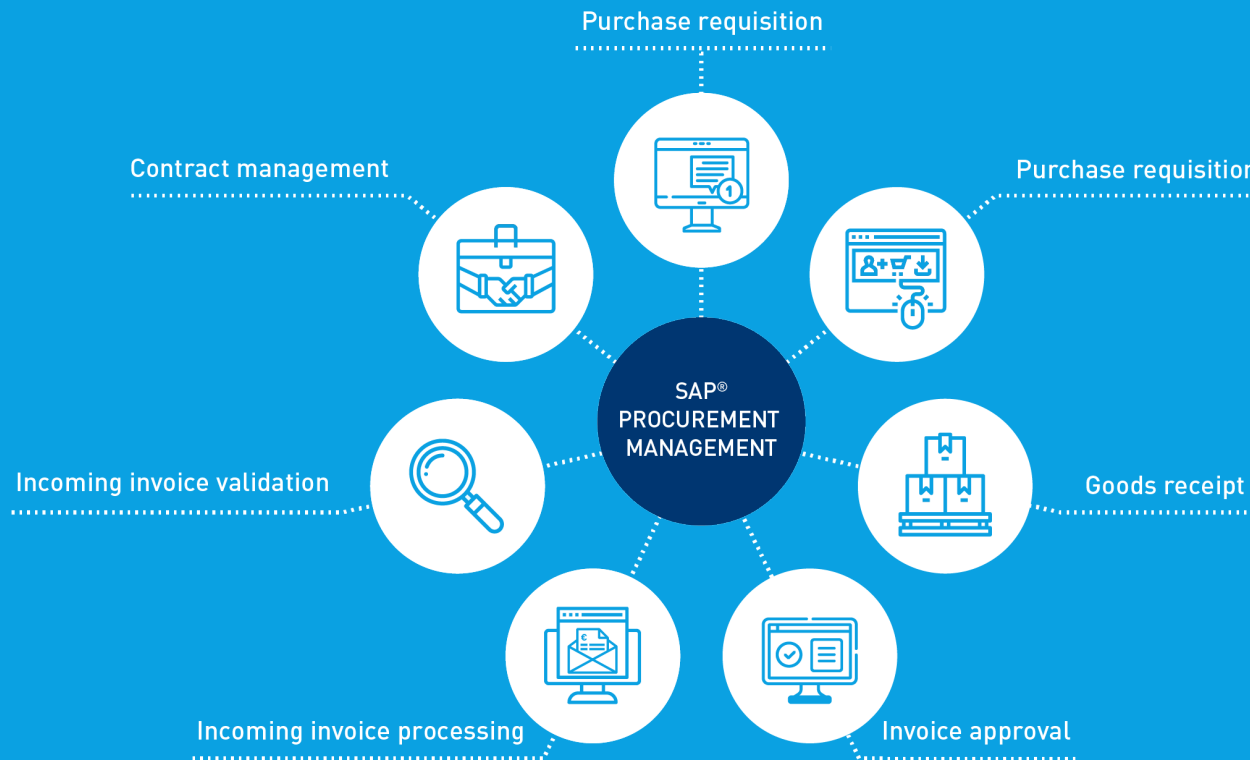


Does your company already have established procurement management subprocesses, such as incoming invoice processing?



Do you or your colleagues always have an overview of purchase requisitions, approved orders and incoming invoices?

Problem identified, problem solved: the electronic procurement process in SAP®



Create a purchase requisition

Now let's look at the subprocesses of the digital procurement process – and compare them to the corresponding subprocesses of the traditional approach. That will make the advantages of the digital procurement process obvious.

Determination of requirement

In the beginning is the need. Something is missing and has to be reordered. In a traditional, paper-based process, the matter is usually handled as follows: The employees from whatever department place the purchase requisition with their colleagues in Purchasing via a variety of media.

The first problem has already begun: purchase requisitions in person, via email, phone, fax, etc. Cross-location transparency is immediately lost to some

extent. But two stumbling blocks follow right away – the employees in Purchasing first have to be reached; then they have to determine if there is even an offer for the requested item and if the supplier is on the system. This is the beginning of a time-consuming control process.

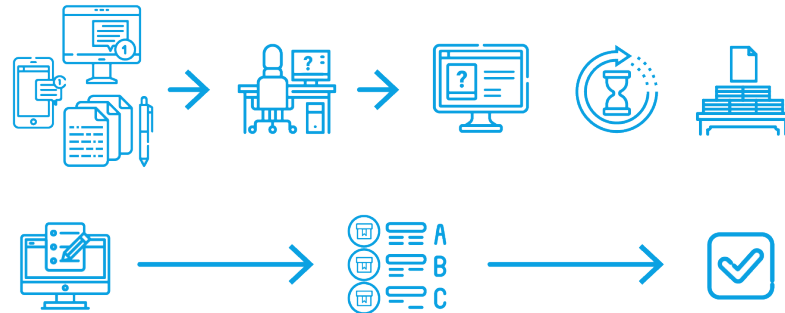
On digital pathways, this works more efficiently, more simply and faster. The digital procurement process in SAP® begins with the purchase requisition – the counterpart to the analog requirement notification. The user roles and authorisations are determined immediately after logging in to the SAP® system. As a result, the employees in Purchasing automatically gain access to a digital catalog of potential suppliers. This alone automatically prevents many sources of error and disruptive factors for the further procurement process.

The automated and organised selection of suppliers and

catalogs avoids the familiar maverick buying effect.

The order is therefore placed at the best possible terms, those which were contractually negotiated. **Here, you are already using the advantages of the integrated contract management.**

At the same time, the automated procurement process also assigns the purchase requisition to the correct cost center.



Workflow – validation for factual correctness

From the start, validation is just as cumbersome, time-consuming and error-prone as the traditional purchase requisition. Who is responsible? Who examines the purchase requisition for factual and technical correctness and completeness? Especially for companies whose production is dependent on the ordering of the right raw or basic materials (**A items**) errors have consequences which are not to be underestimated. Follow-up costs from production downtimes and the like threaten even more. In addition, there is the lack of transparency across locations due to the media used in the traditional procurement process.

Particularly here, the automated procurement process in SAP® can make full use of its strengths. **The SAP® system is very familiar with the classification into A, B and C items.** And the above mentioned questions no longer arise. Because the purchase requisition is automatically assigned to an employee who then handles the factual validation. If that person is on vacation, substitution rules take effect. The most

important thing is that the goal of a factual validation is reached. As a result, not only are the company guidelines for procurement management followed, the workflow also ensures that the right quantity and quality of materials are ordered – and always all to the right destination and at the right time. A green light for a highly automated workflow, for example for **C items**.

Workflow: Approvals in the process

The approval process is another time-consuming process in a company when the traditional paper-based method is used. The right contact has to be found, contacted and reached. And then there is the wait for an approval. No matter if it's an immediate supervisor, employees from Controlling or even the Executive Board, the responsibilities change with the type of purchase requisition. Without an automated, digital workflow, the approval process slows down – unnecessarily.

On the other hand, the approval process which the **SAP® system organisation management uses Systems nutzt,**

runs largely automatically. Once a person authorised for an approval is defined, purchase requisitions are automatically forwarded to them. Additional refinements are possible. Different approvers can be defined depending on the type of order (raw materials vs. consumables) or order value. All in all, the digital workflow increases transparency and process speed at this point. This puts an end to phoning back and forth.



Purchase requisitions – adjustable & dynamic

Purchase requisitions have another disadvantage: once filled out on paper, they can't be changed. The purchase requisition is already in the hands of the approver. A correction or adjustment is once again associated with additional effort in communication.

If time is money, then the digital workflow demonstrates its advantages here. Electronic purchase requests and purchase requisitions can, of course, be adjusted anywhere in the whole process.

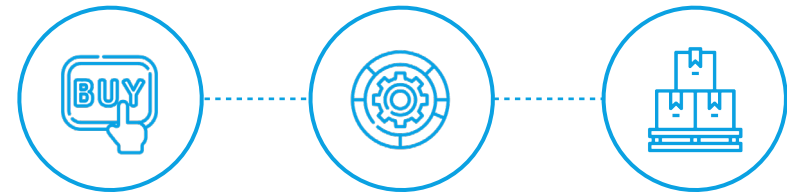
Automated finalising

The last step in the traditional purchase requisition is the completion and updating in the respective system. Creditors, cost centers, unit costs and delivery date and location all have to be updated. Naturally, all of this takes place manually – with the familiar sources of error. Only then is the order triggered.

The digital purchase requisition circumnavigates error sources of this type. **Business relations with existing suppliers with whom there are framework contracts are integrated as best as possible. New business partners can be optimally entered through the organisation thanks to a supplier creation workflow.**

The purchase requisition then runs automatically through all process steps – and automated validations are made in every step. Without successful validation, the purchase requisition stops and can even escalate.

In any case, the process continues. And at the end as a final step, the purchaser can simply accept the existing data with a mouse click – and trigger the order.



At a glance – advantages of the digital purchase requisition in SAP®



— Finally order goal-oriented and efficiently without media disruption



— Automated capture of order data



— Increased automation of the process using direct initial capture of data



— All data always available: processing & compilation of accompanying documents



— Meaningful and comprehensive reporting



— Clear distribution and control of responsibilities and authorizations

Goods receipt – paper-based and full of pitfalls

A paper-based goods receipt is part of a process marked by diverse, often manual steps. A look at the goods receipt process shows that it is extremely error-prone.

The following must be checked in goods receipt:

- Did the goods arrive at the correct destination?
- Checking of the delivered goods for completeness and quality.
- If the completeness and delivered quality of the delivered goods is correct, the receipted delivery note is forwarded to Purchasing. An initial time delay occurs.

But that's not all. Because as soon as the documents arrive at the right place in Purchasing, the responsible employee must post the goods receipt in whatever the system may be. And as it always is for manual entry, it is error-prone – with wide-reaching consequences, for example for the Accounting and Bookkeeping departments.





Paper is patient, procurement management is not. As a rule, even more time-consuming steps follow the initial goods receipt steps. Subsequently, the delivery note must be assigned to the purchase requisitions. Sooner or later, that leads to space problems – until finally new locations need to be found. And in the daily routine of those who have to work with it every day, another problem arises: **Eventually, quick access to a specific order is only possible with additional searching.**

This by no means describes all the disadvantages of a paper-based process. To summarise, non-automated goods receipt is error-prone, non-transparent and time-consuming – and the errors could have wide-reaching consequences.

Digital goods receipt – faster to the goal, transparently

If you rely on digital goods receipt, the disadvantages just mentioned will be a thing of the past. Record and post goods receipt in real time from now on. How does it work? Immediately after the goods are received, you scan the delivery notes with OCR technology. With years of experience, the software is so smart, the relevant data are immediately captured in the SAP® system, such as order number, supplier and delivery amount. Goods receipt in SAP® is designed so that the data – controlled by a workflow – are transmitted to the assigned employees. At the same time, you gain the advantage of a revision-proof archiving of the order documents. In this case, the delivery note.

But digitised goods receipt in SAP® carries even more advantages. Order and goods receipt are linked, creating a context – the employee in the warehouse can now see at a glance if the order is complete. For critical

orders such as raw materials, a multi-step approval can take place, so that only authorized employees, who oversee the total process, post the goods receipt. In a few automated steps, the goods receipt is captured and posted in SAP®.



At a glance – the advantages of digitised goods receipt



— Immediate overview of goods receipt after delivery



— Comprehensive checking and direct posting of deliveries in SAP®



— Acceleration of downstream processes, especially incoming invoice processing



— Automatic archiving of the delivery notes

Incoming invoice validation in SAP® – the digital workflow for more transparency

No matter if the invoices arrive in the company on paper, as a PDF in an email or in a digital format (EDI, ZUGFeRD, XRechnung, etc.) – with the incoming invoice validation in SAP®, you receive accurate capture of the invoice data, plus a lot of automated workflows. For invoices on paper, the relevant data is scanned, as with the delivery note, using OCR technology and batch scanners. Invoices which are already digitised are captured and processed directly by EASY SOFTWARE.

The automated incoming invoice processing allows parking for orders without a purchase order reference. The invoice appears immediately in the incoming invoice ledger: creditor, invoice amount and discount deadlines of the incoming invoices are then visible across locations for authorised employees in the departments.

Furthermore, the status of the processing and the current processor of the invoice are visible. This does away with time-consuming queries.



This is also true for invoices with a purchase order reference – and the chief attraction is that, **thanks to the now existing connection to the digital purchase requisition, the documents are automatically forwarded to the orderers – faster, more targeted and with significantly less effort.**



In short, the automated incoming invoice workflow provides a significant reduction in the process cycle time and in the organisational effort. The already available invoice data gained via OCR or from the digital formats make their way through the automatic incoming invoice processing in SAP® and into the invoice ledger.

As a result, authorised employees from the Bookkeeping and Accounting departments are able to obtain an overview of the state of things in the invoice ledger at

any time – and of course anywhere. The state-of-the-art interfaces for the EASY incoming invoice processing in SAP® support mobile work and provide occasional users a function set optimised for their role. Perfect for working on smartphone and tablet.

Workflow – invoice approval for incoming invoices with purchase order reference

As with all other workflows, employees are also defined here for the approval role. The digital incoming invoice processing in SAP® really demonstrates its strengths during the check step for invoice approval. Due to the procurement process described here, the following three documents are now in the SAP® system, which it automatically checks:



Record of the purchase requisition



Record of the goods receipt



Record of the invoice receipt

The comparison of the amounts and totals is based on this data. If the invoice appears in the invoice software with a green icon, the validation is successful. The defined validator can approve the invoice with a simple click. An automated approval is also possible, depending on the purchase order value. Of course, here too the validation can also be made on mobile devices, thanks to state-of-the-art SAP® interfaces such as FIORI®. In the next step, the approved invoice can also be posted with a click and prepared for the payment process.



Advantages of the workflow for incoming invoice processing



A gain in truly automated workflows thanks to the automated validation of three documents: from the purchase requisition to the delivery note to the incoming invoice



More invoices with purchase order reference



Accelerated process times



Maximum transparency across locations: depending on their function and job, employees see information important for their daily work in the context of the incoming invoice – regardless of location and on mobile devices



Approval processes are of course also accessible on mobile devices



Higher degree of automation through workflows



Approval processes controlled by a variety of parameters. For example, the amount of the purchase order value: if above a specified amount more-eyes principle required; if below the specified amount automated process thanks to the checking of three documents.



Escalation management: In the event of conflicts, the workflow forwards the incoming invoice to the next higher instance



Automated vacation and sick leave substitutions – thanks to workflows



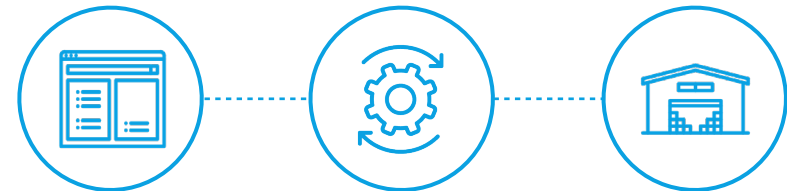
And last but not least, all of the relevant documents and handling in the process are automatically archived. The invoice is also automatically deleted from the invoice ledger after posting

Contract management – and its importance in the procurement process

The subject of contracts and their management in particular plays a special role in the procurement process. [Think back to the beginning of the procurement process for a moment – to the purchase requests and requisitions in Purchasing.](#) In this context, the contract management in SAP® ensures that the Purchasing department carries out upcoming purchases based on a provided selection of web catalogs.

At the same time, there are signed contracts at specified conditions with the suppliers from those catalogs. Both form the basis for an efficient purchase. Familiar phenomena such as the maverick buying effect can be largely prevented through the contract management in SAP®.

However, the contract management in SAP® does much more. Particularly in procurement processes, the contract management integrated in SAP® - EASY Contract Management for SAP Solutions® allows to: work more efficiently, to remain conform to compliance requirements, and always initiate orders as part of current contracts.





Highlights of contract management in SAP®



Supports the entire contract lifecycle

EASY Contract Management for SAP Solutions® supports and accompanies the entire lifecycle of a contract – from contract initiation and creation to negotiations of addenda to contract termination and archiving of the concluded contracts. Contract management in SAP® – it just works smoothly.



Always rule-compliant

Electronic contract management supports the goal of the digitisation of business processes. Increasing and maintaining compliance is a very important factor, which includes risk minimisation and transparency concerning risks. This transparency and control of risks also provides risk avoidance and assurance of profitability and efficiency.



Simple, intuitive operation

The departments especially benefit from the easy and intuitive operation of the contract management, quick access to all contracts in the company and reliable maintenance of the compliance guidelines. Thanks to easy adaptability, various contract types can be optimally supported.



Transparency

Across locations, contract managers have an eye on contract and cancelation deadlines, upcoming contract extensions and warranty periods as well as upcoming monetary obligations from concluded contracts.



Mobile work

Access to EASY Contract Management for SAP Solutions® is via SAP® Fiori® on all devices – for fast access via PC or smartphone/tablet. EASY SOFTWARE provides two different solutions for contract management – optimized for on-premises operation in the SAP® environment or as a purely Cloud solution.



Everything in one place - the contract file

An overview of all data for every contract – structured, fast and easy. Contract management in SAP® bundles all important email, Office documents and paper scans structured in the right place in the contract file. No more cumbersome, time-consuming searching.



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About EASY



For more than 25 years, EASY SOFTWARE AG has stood for innovative software solutions developed in the heart of the Ruhr region. Today, our products and services are in use all over the world. Countless partners, customers and users rely on them day by day – and thereby on our 350 employees. Their expertise, service focus and down-to-earth approach give EASY SOFTWARE AG a distinctive image and play a decisive role in ensuring our success.

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