

SAP Solution in Detail
mySAP Supplier Relationship Management



SERVICE PROCUREMENT WITH mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT

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EXECUTIVE SUMMARY

In today's global economy, companies in all industries rely on supplementary workforces – from temporary workers to consultants – to round out their full-time staff requirements. Temporary and consulting services can add greatly to enterprise agility and, therefore, to competitive advantage. These services can also help the bottom line by making costs more predictable and by reducing in-house management efforts for peripheral business activities.

But service procurement brings its own challenges. The effort of procuring services can bog you down – especially with today's more specialized workforce needs. Managers may talk with purchasers, who then give specifications to requesters, who then put out requests to service agencies. Or you may see an immediate need for ad hoc temporary labor. You call your vendors, send e-mails, and evaluate replies. This takes time – your time, as well as the time that is wasted because the slot is still empty.

Eventually requests are filled, but are these the best workers at the best cost for these jobs? You may never know because manual procedures may impede transparency and prevent corporate decision makers from understanding the impact of enterprise purchasing choices.

Service procurement solutions help you manage resources and monitor costs over a whole range of services. The process of service procurement is often more complex and less standardized than materials procurement. Furthermore, service requirements are often undefined in quantity, duration, and price at the point of purchase. This implies that a service isn't specified until the supplier confirms it.

E-procurement solutions can deliver great cost-saving potential for purchasing. But services have not generally been considered a part of these cost-saving measures. Service procurement with the mySAP™ Supplier Relationship Management (mySAP SRM) solution covers a wide range of services using such functions as supplier enablement, contract management, and e-procurement analytics. mySAP SRM can help improve your service procurement processes.

mySAP SRM helps you close the gap between the strategic needs of your service purchasers and the operational needs of your requesters. It supports fully automated procurement processes and includes a response function so suppliers can indicate the availability of a service agent.

STANDARD mySAP SRM FEATURES

mySAP SRM offers many features that support service procurement and make it easy for even occasional users to access internal and external catalogs and marketplaces. The solution features seamless back-end integration and personalized user interfaces that give employees convenient access to exactly the functions they require.

Creating requisitions and purchase orders (POs) with mySAP SRM is simple. You add the items you need to a shopping cart, and the solution automatically generates requisitions and funnels them through the approval process. Immediately on approval, the solution creates POs and dispatches them to suppliers over the Internet without the delay or expense of additional user intervention.

The solution provides catalogs of the most frequently ordered services and materials, so your employees can easily manage their own POs in line with company rules. You can restrict purchases to approved vendors and establish business rules to enforce limits on what individuals and departments are allowed to order. The solution continuously monitors spending.

mySAP SRM uses a robust workflow engine to route all procurement documentation – including approvals and performance locations – in accordance with existing business processes, ensuring complete transparency. In addition, employees can check the status of their orders at any time, and they can enter rendered services from their desktops.

The solution also handles special requests (which are entered as free text or as a product number) and one-time purchases quickly and easily. Seamless connectivity with e-marketplaces allows you to find new suppliers and obtain more competitive prices. Also, you can integrate suppliers using the SAP®

Supplier Self-Service component; suppliers log on to SAP Supplier Self-Service and process orders using a standard Web browser. And if mySAP SRM is integrated with your back-end financial system, receipt confirmation can automatically trigger the appropriate accounting activities.

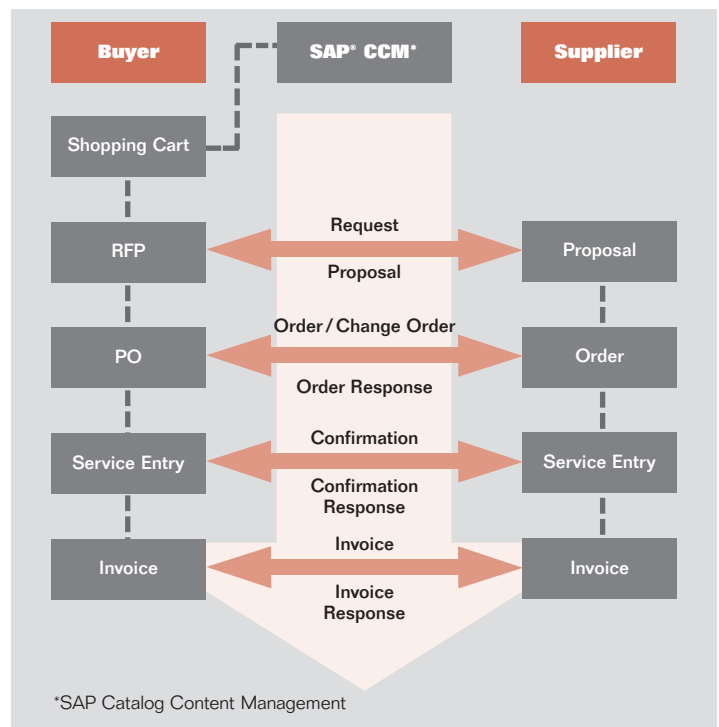


Figure 1: Overview of the Service Procurement Process

Managing Service Content and Model Bills of Services

The SAP Catalog Content Management application offers advanced handling of service content, allowing you to manage complex, structured bills of services (BOSs). You can easily create and maintain model BOSs and service catalogs derived from external sources by uploading Microsoft Excel files. This is a fast way to integrate external sources and use complementary software to build service catalogs.

You can define model BOSs from scratch and build multilevel BOS hierarchies. This allows you to easily shift and cluster attributed service packages within a hierarchy. Mass maintenance editing functions help you quickly adapt to changing business needs.

For administrative purposes, you can easily automate service catalog releases. Highly integrated sourcing options for service catalogs allow you to group services and materials and make all sourcing decisions. You can easily update service catalog content and integrate it with contract data. You can also group selectable services and materials for shopping via BOSs, which reduces sourcing times and improves operational efficiencies.

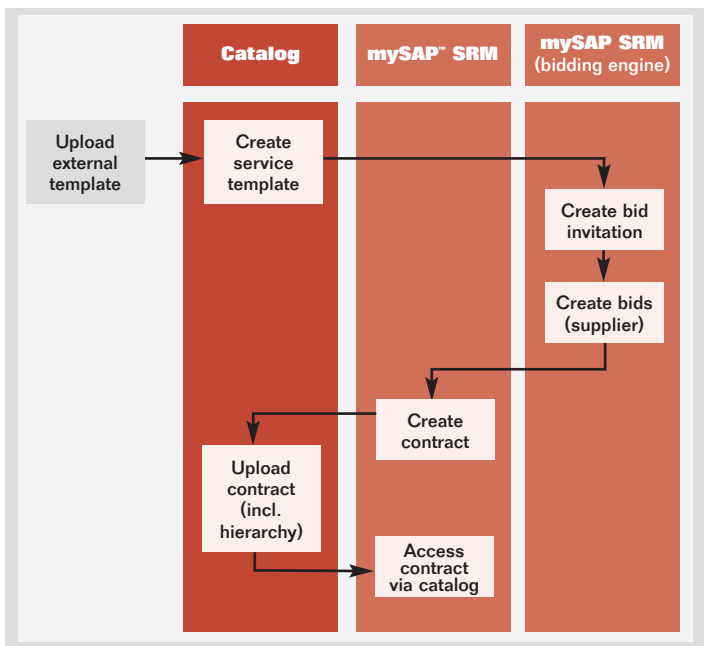


Figure 2: Catalog-Based Service Contract Creation

Specifying and Requisitioning Services

With mySAP SRM, service procurement begins when a service requester opens the *Request Temporary Labor* form within the shopping cart. This form lets you send requests for external staff to services vendors. For temporary factory workers, for instance,

you might send requests to either preferred service agents that are already in place or to temp agencies. For consultants, requests go to consulting companies. As part of this process, you can specify different types of details; you can add limits, lump sums, and list skill profiles in PDF format, or you can attach other types of documents.

Once the responses come in and you select the best vendor, you can then post the purchase order.

If the request for external staff is not necessary because you know already about the availability of the service agent, you can directly create a shopping cart instead. You can search for services in catalogs, or you can use individual saved items or entire shopping carts as templates – this makes it easy to post repeat or recurring orders. Or you can enter a text description of requirements, adding limits, lump sums, and skill profiles, or you can attach other documents.

When a shopping cart is released for ordering or as soon as a supplier's response is selected after a request for proposal (RFP), mySAP SRM checks whether approval is needed. If one or more managers must approve the shopping cart – because it exceeds a certain value, for example – mySAP SRM automatically submits it to the in-boxes of the appropriate managers via workflow functions.

A number of criteria, such as the total value of a shopping cart, can initiate an approval workflow. The responsible manager decides whether to approve or reject the shopping cart. If the order is rejected, the originating employee receives a work item. The employee can then jump from the work item directly to the shopping cart to make changes. Supervisors can approve shopping carts offline with any messaging application programming interface (MAPI)-compliant e-mail program or online via a Web browser or a personal digital assistant (PDA).

Specifying a user budget can automate the approval process further. For example, a no-step workflow can be triggered if users order within their budget within a valid time period, automatically approving the shopping cart. You can change the approvers, add additional approvers, and add reviewers to your approval process, using the approval preview area of the shopping cart, the shopping cart status area, or the in-box. This feature is useful during periods when a manager is unavailable, for example.

You can check order status at any time in a graphical view of the workflow process. By navigating directly from the graphic, you can display basic details, such as the date the shopping cart was created, the approval status, or when the order was posted.

Order Management

Once a shopping cart is approved, the solution creates the necessary follow-on documents. For different service categories, you can determine which documents are created in which system – in a back-end system or in mySAP SRM, for example. If the PO is to be created locally in mySAP SRM and no service vendor has yet been determined, sourcing functions in mySAP SRM help you to find reliable vendors quickly. These functions include accessing the vendor list of evaluated suppliers, assigning a contract, or searching for vendors in external supplier directories, such as Dun & Bradstreet.

When the order contains all necessary information, a PO is created directly in mySAP SRM without user intervention. The PO can then be sent to the vendor as a printout, by e-mail, fax, or XML. If sent by XML, the responsible supplier picks up an incoming order simply by logging on to the system and can accept, reject, or change it. If a change in the PO is necessary, the supplier can adjust the amount, price, and delivery date according to available capacity. A response is then sent to the purchaser, who can now easily compare the response with the PO and accept or reject the deviations. mySAP SRM checks the PO response and updates the data accordingly.

Confirmation of the Performance of Services

When services are rendered, a confirmation can be created. In mySAP SRM, the employee who requested the service can create a service entry sheet as soon as services are rendered.

When confirming services are performed, the requester can specify additional expenses and costs unless the limit amount is reached.

Alternatively, an internal dispatcher or a dispatch department can enter service entry sheets centrally. The names of service agents who performed the services are displayed and can be selected. For example, a central internal dispatcher could be a secretary who processes confirmations for an entire department.

You can save confirmations in either of two ways: *Hold* (for temporary or incomplete orders) and *Confirm* (in which the solution creates a follow-on document). In the supplier self-service scenario described below, vendors or service agents can confirm that they performed services where appropriate. When a supplier creates a confirmation and sends via XML to mySAP SRM, the software automatically generates a work item and sends it to the requester for approval. During confirmation, you can customize the price information that is displayed, as well as overdue services notices, to meet your needs. In case of delay, mySAP SRM can send reminders to service agents.

Invoice Processing

Decentralizing invoice and credit-memo handling reduces the workload for the accounting and other departments. With mySAP SRM, employees, accountants, suppliers, and service agents can display and process invoices and credit memos.

Users can enter invoices with or without reference to existing POs or confirmations.

The invoice approval function involves automatic submission of employee-entered invoices to the manager responsible for approving them. Only a specific, predetermined percentage of

invoices are sent for explicit approval. Most are approved automatically. If the supplier creates the invoice and sends it via XML to mySAP SRM, the software sends a work item to the requester for approval.

Once an invoice is released, the payment is made according to agreed-upon terms through automated or traditional paper-based remittance. Accounts payable processing takes place in the back-end system.

mySAP SRM also supports evaluated receipts settlement (ERS), an automatic settlement procedure based on confirmations. In this case, you must have an agreement with the supplier permitting the solution to post an invoice automatically based upon the PO and confirmation and to submit the document to the supplier electronically. This function eliminates invoice variances and communication errors, and it speeds up the completion of transactions.

SAP Supplier Self-Service: Collaboration from the Supplier's Perspective

mySAP SRM also delivers robust supplier self-service functions. Suppliers need nothing more than a standard Web browser and, once registered with your company, can take an active role in negotiating for dynamic RFPs, bidding on or holding live auctions, managing orders, and generally updating, maintaining, and managing their own information.

A typical order and invoice cycle with SAP Supplier Self-Service goes like this:

- **Start at the catalog**

Once you and a supplier have a contract in place, you can both see into the current catalog of services your company requires and the services offered by the supplier.

- **Dynamic RFP**

When you need services, you issue an RFP to one or more suppliers. The RFP shows up in the supplier's browser.

- **Purchase order**

Once the negotiations on availability are complete, you issue the PO to the supplier, who then issues a response.

- **Confirmation**

As soon as the supplier has delivered the ordered services, services are entered into mySAP SRM, recording actual hours worked and specifying any additional costs. The requester receives a workflow item to determine that the work was performed satisfactorily and can then accept or reject the confirmation.

- **Invoice**

When the confirmation has been posted, the supplier issues the invoice and, once it is accepted, payment is triggered.

SAP Supplier Self-Service delivers substantial benefits to both buyers and suppliers. For instance, you can frequently save money by accelerating supplier payments – made possible by the speed of the interchange. Also, suppliers know their own information is always accurate and up-to-date, and they have a clear understanding of your requisition and ordering processes.

SPECIAL FEATURES AND FUNCTIONS

SAP Supplier Self-Service Advances

Suppliers can access SAP Supplier Self-Service in stand-alone fashion using any standard browser, or they can access it through the SAP NetWeaver® Portal component. SAP NetWeaver Portal adds numerous features, including role-based security, so all suppliers and their employees can access exactly the information they need to do their jobs.

Requester Flexibility

Within the RFP process, you can specify requirements using a variety of criteria. For instance, you can use a description of the required service or the number of service agents or even name the desired service agents. You can also specify service suppliers, and you can be confident that these suppliers already have contracts in place because it is only possible to assign suppliers for which a source of supply can be found. You can select several suppliers for one request. And you can quickly evaluate suppliers via reporting and analytical data provided by mySAP SRM. As a result, you make better and faster decisions, and your company benefits through higher service levels.

Easy-Entry Screen

The focus for temporary labor within mySAP SRM lies on the shopping cart and a special, easy-entry screen for temporary work. In the easy-entry screen, you can specify your service request together with limits or lump sums for additional expenses. This is helpful in cases where unplanned services can't be specified because the value of the individual line items has not yet been determined or where additional costs such as expenses or travel costs are likely to occur during the period of service performance. This allows cost monitoring, as well as both comfortable and flexible procurement of services.

Streamlined Purchase Orders

mySAP SRM speeds up PO review, which enhances productivity. mySAP SRM creates a work list for the purchaser of all PO responses that arrive via XML and includes the status – such as “confirmed” or “partly confirmed” – for each document. mySAP SRM also automatically checks to see whether PO responses are within their preset tolerance boundaries and informs the purchaser if an expected PO response does not arrive in time.

Enhanced Collaboration Projects Integration

Professional service organizations usually need support from external consultants to fulfill customer projects. Because nearly every project is staffed with external consultants, professional service firms require an integrated process flow from sourcing based on a project element to confirmation of time and expenses. mySAP SRM and the Collaboration Projects (cProjects) suite provide professional service firms with this visibility.

Integration with cProjects includes the sourcing of external services on the basis of a project element and confirmation of project times and expenses based on a project element.

EASY-TO-USE PROCUREMENT FUNCTIONALITY

Service procurement with mySAP SRM ensures compliance and reduces process costs by decentralizing the purchasing process while maintaining central control. It can help cut administrative costs, reduce cycle-time delays, and eliminate errors that arise from paper-based processes and inefficient communications with suppliers.

Improving Supplier Collaboration

The supplier feedback features in mySAP SRM also let you collaborate more closely with suppliers and service agents, while at the same time protecting your company against providers with inappropriate skill levels or incurring costs that are higher than necessary. You can open your request to competitive bids by sending out multiple requests for information (RFIs). Suppliers can, in turn, recommend changes to the terms and resources to bid more competitively for your proposal.

Higher Process Efficiency

By automating manual procurement tasks – such as selecting services, obtaining approvals, generating invoices, and processing payments – you significantly reduce the cost of each transaction. The easy-to-use Web interface of mySAP SRM means that your employees require no special training, and your organization can begin generating savings right away.

Company-Wide Compliance and Economies of Scale

mySAP SRM dramatically reduces employees’ perceived need to buy outside of established parameters because of its ease of use and speed. The self-service functions of mySAP SRM tie procurement-related approvals and releases to organizational roles and automate the review and sign-off procedures, taking into account all statutory requirements and administrative regulations.

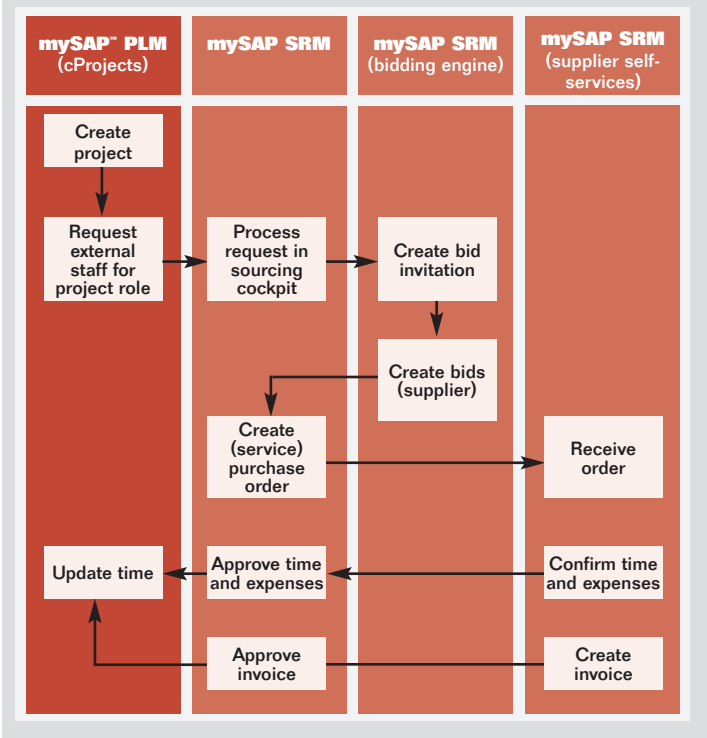


Figure 3: An Overview of cProjects Integration

Powerful Reporting Functions

mySAP SRM provides powerful reporting facilities for comparing the offerings of different bidders, which is essential to the services vendor-bidding processes. The solution includes a varied repertoire of available analytics, which you can invoke at any time in the request-to-approval process.

Information about all service purchases is easy to track, making procurement more transparent and ensuring company-wide compliance with purchasing guidelines and standards. At the same time, you can use the information to negotiate the best possible prices and contractual terms, saving money on every service. With greater compliance and more purchases made on contract, your company can better leverage economies of scale and corporate purchasing power.

Procurement Expertise Where You Need It

Decentralizing and automating time-consuming procurement activities enables requesters and other professionals to shift their attention from routine tasks to strategic sourcing, supplier negotiation, and other activities that generate true business value. The workload of dispatching departments is reduced because services are delivered directly to you.

DEPLOYMENT OPTIONS

You can deploy mySAP SRM in several different ways for service procurement. The deployment choice depends on which system your purchasing department prefers to work with and, consequently, where follow-on documents are created.

Communications with suppliers can take place:

- Via e-mail, fax, or postal mail
- Via the SAP Supplier Self-Service component of mySAP SRM
- Via electronic messages delivered directly to the sales and distribution system of your suppliers

Stand-Alone Deployment

With stand-alone deployment, the entire procurement process is handled in mySAP SRM, including the creation of the shopping cart and all follow-on documents, such as validations and approvals. Only accounting tasks (financial accounting and controlling) must still be handled by a back-end system.

This deployment option works well if you:

- Want to handle everything locally within mySAP SRM, integrating only with an accounting system
- Want to use the streamlined purchasing functions of mySAP SRM for specific service categories
- Do not need back-end functionality for certain service categories and want to move the purchasing process for these categories completely out of the enterprise resource planning (ERP) system
- Want full optimization of the service procurement function. The functions work within the other deployment options, but certain restrictions apply.

Classic Deployment

Classic deployment relies strongly on the back-end system, because all materials management documents (such as POs, service entry sheets, and invoices) exist there. You create shopping carts and initially enter confirmations and invoices into the SAP Enterprise Buyer (SAP EB) component, the core e-procurement component of mySAP SRM. SAP EB communicates the information to the back-end system, which creates the active documents.

Use this deployment option if:

- You want a wide user group – requesters in numerous departments – to be able to enter their requirements quickly and easily (minimal training is required)
- You want your purchasing department to operate solely with the functionality in the back-end system
- A transfer of purchasing activities to the procurement system is not appropriate

Extended Classic Deployment

With classic deployment, all services are processed in the back end; in extended classic deployment, shopping carts and POs are created in mySAP SRM. If the data in the shopping cart is insufficient to generate a complete purchase order, the data is supplemented manually within mySAP SRM before being transferred to the back-end system.

The PO created in mySAP SRM is the leading purchase order. The version that is transferred to the back end is not an exact copy, but a much leaner, read-only version of the leading purchase order. This copy supplies the reference needed to create service entry sheets and invoices in the back-end system. You can also enter confirmations and invoices into mySAP SRM and then copy them to the back-end system.

Choose this deployment option if you:

- Prefer that your purchasing department save time and money by using the streamlined purchasing functions of mySAP SRM
- Want to use the full purchasing functionality of mySAP SRM
- Want the ability to confirm and invoice against standard services
- Want the flexibility offered by entering confirmations and invoices in mySAP SRM

Back-End Constellation

All of the self-service procurement deployment options can be used with single or multiple back ends. You can use the classic and extended classic deployment options with single or multiple back-end systems composed of both materials management and financial accounting systems. You can use the stand-alone option with single or multiple financial accounting back-end systems.

SOLUTION COMPONENTS

Service procurement capabilities are enabled through the following components of mySAP SRM:

- SAP EB
- The materials management component of the mySAP ERP solution or a non-SAP back-end system (optional)
- The SAP NetWeaver Business Intelligence (SAP NetWeaver BI) component (optional)
- SAP Catalog Content Management (optional)

SAP Enterprise Buyer

SAP EB is the core e-procurement component of mySAP SRM. It enables all key stakeholders – employees, managers, professional buyers, and even selected vendors and other partners – to collaborate easily in e-procurement using a Web-based interface that is tailored to their individual roles. For example, SAP EB empowers employees with self-service procurement functions, enables centralized direct procurement, and provides professional services purchasers with functions to make the best purchasing decisions.

Materials Management Component of mySAP ERP or a Non-SAP Back-End System

The materials management component of mySAP ERP shares accurate procurement order information across the supply chain network to ensure that services required are available in the right place at the right time. It facilitates plan-driven procurement and invoicing and is the key to successfully closing the feedback loop between requester and supplier. It supports services-delivery confirmation and invoice accuracy, and it drives value across the supply network.

SAP NetWeaver Business Intelligence

SAP NetWeaver BI delivers a state-of-the-art data warehouse that gives you rapid access to knowledge captured in disparate systems. It provides your planners and executives with powerful tools for information extraction and analysis, including key performance indicators (KPIs), personalized alerts, and work-group comments. You can work flexibly with the information and perform ad hoc analyses to explore it from different perspectives.

SAP Catalog Content Management

SAP Catalog Content Management, a standard catalog management application delivered with mySAP SRM, includes two main services. The catalog authoring tool allows content managers to build a unified catalog out of multiple sources of content, such as service suppliers, procurement contracts, and master data. The catalog search engine allows users in mySAP SRM to search text or browse through hierarchical trees of service categories. It includes enhanced search functions to help users to find services quickly and easily.

With SAP Catalog Content Management, you have the following catalog implementation options:

- **Content broker or marketplace**
Multisupplier catalog is maintained and hosted by an external catalog broker.
- **External supplier**
An external supplier owns the catalog and updates it.
- **Catalog hosted by company on an intranet**
The purchasing department maintains the catalog, and suppliers provide the content.
- **Internal catalog**
Users purchase from the company's own stock.

For More Information

To learn more about how service procurement in mySAP SRM can help your organization, call your SAP representative or visit us on the Web at www.sap.com.

www.sap.com/contactsap