

**Section 3** Procurement Processes - Implementation into SAP R/3 (Global Templates)

Component	10 Design Decisions to Prioritise	Comment
Procurement Operating Model	<ol style="list-style-type: none"> <li data-bbox="824 419 1429 587">1. Determine a target operating model that leverages the benefits of the SAP R/3 implementation whilst being consistent with the agreed risk profile and culture of the organisation</li> </ol>	<ul style="list-style-type: none"> <li data-bbox="1451 419 2042 555">• Consider how much of the role can be distributed within the business and how much should be retained centrally within a 'Procurement Centre of Excellence' <ul style="list-style-type: none"> <li data-bbox="1485 579 2031 715">➤ typically, transactional activities such as low value ordering against pre-defined Supplier catalogues would be distributed</li> <li data-bbox="1485 738 2031 938">➤ whereas, strategic activities - such as the establishment and monitoring of procurement best practices, contract negotiations, high value or specialist Supplier selections - would be undertaken centrally</li> </ul> </li> <li data-bbox="1451 962 2020 1106">• Consider cost arbitrage benefits that could arise from alternative locations for the procurement function, including the creation of a global function</li> <li data-bbox="1451 1129 2042 1337">• Ensure appropriate change management activity is planned and undertaken in order to attain buy-in and support of users and Suppliers to the new processes, systems and controls. Ensure sure appropriate levels of training are given</li> </ul>



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Master Data Capture, Structures, and Relationships	<p>4. Design an appropriate relationship between Product Categories, Commodity Code Structures and their mapping to GL Chart of Accounts</p>	<ul style="list-style-type: none"> <li>• Framework contracts to be agreed where appropriate against which call-off orders may be drawn</li> <li>• Well thought out relationships provide greater transparency, more efficient processing, and simplified controls and authorisations – enabling other processes such as distributed purchasing</li> <li>• Implementation of the integrated Fixed Assets system improves control and processing efficiency, with the decision on whether to use Project Systems or CO-Internal Orders (to track work-in-progress) dependent upon materiality</li> </ul>
Transactions Processing	<p>5. Determine the required control framework for approvals (requisitions, orders, invoices) including policy on the use of purchase orders and the use of a web-enabled, distributed low value ordering system</p>	<ul style="list-style-type: none"> <li>• Clearly define requirements before implementation; these should align to the Target Operating Model</li> <li>• Controls should be fit-for-purpose, taking into account risk, materiality and compensating measures (eg: purchases constrained by catalogue pick-lists)</li> <li>• Determine which, if any, goods or services might fall outside of the PO process, together with rationale and mitigating control framework</li> <li>• Cost/benefit required on the implementation of SRM to provide web-enabled, distributed purchasing</li> </ul>

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Transactions Processing	<p>6. Determine the use of Purchasing Cards</p> <p>7. Determine the strategy for receipting goods and services</p> <p>8. Consider the use of document image archiving coupled with automated workflow</p>	<ul style="list-style-type: none"> <li>• Elements of the Requisition-to-Payment process may be globally defined; pragmatism should be applied to determine which process activities should be locally defined</li> <li>• Use of P-Cards can yield direct savings via cash back from the card provider, coupled with improved process efficiency and cost transparency</li> <li>• Consider the relative advantages of 2-way matching (invoice against order) versus 3-way matching (invoice against GRN and order), which could be differentiated depending on value and type of spend</li> <li>• Service receipting will require internal assessment and entry, again this should be driven by value and type of spend</li> <li>• Automated workflow, linked with well structured authorisation rules and table population, provides improved efficiency, better controls, and enables distributed processing</li> <li>• Requires link to SAP HR for organisation structures and roles</li> <li>• Image archiving enables drill-down to documents</li> </ul>

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Transactions Processing	9. Determine approach for processing and managing Employee Expenses – treat as a type of Supplier in Accounts Payable or use a dedicated solution	<ul style="list-style-type: none"> <li>• Requires the creation of a workflow administrator role</li> <li>• Cost/benefit assessment can be undertaken to compare the use of a dedicated module such as SAP Travel Management compared with use of Accounts Payable, or a stand-alone Expense management package</li> </ul>
Reporting and Compliance	10. Determine a mechanism for providing procurement reporting and compliance monitoring	<ul style="list-style-type: none"> <li>• Implementation of SAP BW provides greater reporting capability than that provided from the application</li> <li>• Provides analysis of historic spend and enables forecast of future demand, facilitating the negotiation of better deals with Suppliers. Further, it enables the targeting of spend categories for cost reduction and prompts timescales for tendering processes</li> <li>• Identifies and drives out maverick spend, including expenditure that is not compliant with procurement strategy or contracts</li> <li>• Measures Requisition-to-Payment KPIs - from sourcing, end-to-end process and organisational dimensions - that enable internal and external benchmarking and support continuous improvement</li> </ul>