SAP’s Journey to Intelligent Spend Management
Reimagining Procurement in Today's Digital World
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Executive summary

“As organizations’ supply chains become more complex, efficiency and oversight are essential to keeping the business running smoothly. This includes considerations of sustainability, as a purpose-driven supply chain is one that utilizes ethical, fair, and environmentally sound practices. On the following pages, I would like to provide you with valuable insights on how SAP has adapted our procurement organization to meet the challenges of the digital economy, while at the same time maintaining our position as a workplace of the future for highly skilled and motivated employees. These insights demonstrate how you can operate a best-run supply organization, and how procurement with purpose can help the world run better and improve people’s lives.”

Tamara Braun – SAP CPO
Aligning SAP corporate and procurement strategy: The shift to become a business value enabler

Digital technologies are transforming the world – for consumers and businesses – and SAP is constantly adapting and innovating to stay ahead of the game. But one thing remains a constant at SAP: our vision to make the world run better and improve people’s lives. We are committed to helping our customers become Intelligent Enterprises so they can deliver innovation faster and achieve successful business outcomes – all while creating a better and more sustainable economy, environment, and society. With our purpose-driven strategy and goal of being the most innovative cloud company powered by SAP HANA®, our mission is to help every customer become a best-run business.

At SAP, we strive to be a role model of the Intelligent Enterprise for our customers, which is why we have been reimaging our own work and processes over the last several years using our Run Simple approach.

In alignment with SAP’s corporate vision, the SAP Global Procurement Organization (GPO) is focused on helping SAP spend better and becoming a business value enabler to the business for all procurement-related activities globally. In order to achieve these ambitious objectives, it is critical that we provide intelligent, seamless, purpose-driven sourcing and procurement processes to our customers while continuing to deliver value to our stakeholders. Our digital transformation journey has not been without challenges, as is usually the case when undergoing significant change. Overcoming these challenges was essential to becoming a high-performing organization focused on meaningful strategic business partnerships.

“The pace of change has never been this fast, yet it will never be this slow again.”

World Economic Forum, Justin Trudeau 2018

- 2018
Building the foundation

In 2011, we embarked on a transformative procurement journey with the goal to make procurement “fit” for the future, deliver more value to the business, and become a world-class procurement organization. At a time when procurement was a back-office function overburdened with manual processes and complicated systems, we wanted to build a solid foundation we knew would be necessary to our future success.

People: Our “house of procurement”

Process: One end-to-end vision for source to pay

Technology: Driving rapid innovation in the cloud

SAP Global Procurement Organization at a glance

200 colleagues
36 locations worldwide

Global categories:
• Facilities
• Cloud infrastructure
• Consumer goods (including car fleet)
• Marketing and travel
• Third-party services

18 in EMEA
12 in the Americas
5 in Asia-Pacific
Building the foundation

People: Our “house of procurement”

An organization’s people play the most vital role in driving the success of procurement’s digital transformation. The realignment of our organization, roles, responsibilities, and skills was key for our strategy to succeed. From a highly decentralized function in 2011, we shifted to a structure based on a combination of global categories and a support framework with regional buying centers. While SAP still retains an optimal degree of centralization, within our industry we are a front-runner in successfully operating a global organization model.

We continuously assess our procurement organization to ensure it keeps pace with the ever-changing business environment. It is imperative that our structure aligns perfectly to the structure of the company’s global organization. Below are just a couple of the adjustments we have made over the years:

- Global spend categories reorganized for closer alignment with SAP’s growth areas in the cloud business model, shifting to more investments for our cloud infrastructure
- Creation of a Chief Operating Officer (COO) to focus on enablement, projects, and developing policy and guidelines, thereby allowing the category teams to concentrate on core procurement functions and building strategic relationships with the business
Building the foundation

**Process:** One end-to-end vision for source to pay

“Change is the law of life. And those who look only to
the past or present are certain to miss the future.”

John F. Kennedy

Reimagining our business processes was another critical step to our success. For us to realize the full potential of SAP’s Run Simple approach and improve the user experience, it was essential to establish seamless and integrated processes, regardless of whether they crossed internal reporting structures.

Our guiding principles for reimagining processes included:

- Clearly defining the end-to-end process as a first step
- Digitizing as much as possible, with lights-out processing being the goal
- Leveraging purchasing power
- Bringing down transactional costs through machine learning
- Integrating systems from end to end
- Leveraging market-leading tools to bring processes to life
- Focusing resources on strategic activities
- Shifting the maximum of operational activities that cannot be automated to a shared service center organization

Due to improved processes, our team of close to **200 people** has remained the same, even as SAP spend grew from **€3.6 billion** in 2013 to **€5.9 billion** in 2018.

Franz-Lothar Wolf, SAP GPO Head of Procurement Strategy
Building the foundation

**Technology:** Driving rapid innovation in the cloud

To achieve our goal of becoming a world-class procurement organization with a high-value contribution to the success of SAP, we had to leverage technology to the highest possible extent by using market-leaders for goods and services as well as travel management. We selected Ariba and Fieldglass as our procurement solutions for goods and services and Concur for T&E spend. With these SAP acquisitions, our road map for the future was set.

Benefits of moving to the cloud and leveraging business networks for all major spend categories include:

- Gaining access to the largest business network across all source-to-procure processes
- Delivering innovation quicker and increasing agility
- Improving user experience for all purchase activities as well as for travel booking and reimbursement
- Managing costs and driving innovation with suppliers
- Driving solution adoption and purchasing compliance globally
- Recruiting and onboarding the best workforce, simplifying work, and helping ensure compliance

After a careful assessment, we adopted a hybrid landscape to leverage the best of both cloud and on-premise solutions. SAP S/4HANA® natively integrates SAP® Ariba®, SAP Concur®, and SAP Fieldglass® solutions, creating a seamless, transparent, and integrated source-to-pay process for increased compliance, improved visibility, and faster settlements.

Transitioning to the cloud led to some challenges with respect to regional adaptability and user adoption. However, by being an early adopter of these solutions on a global scale, GPO had the opportunity to turn these challenges into opportunities for SAP to share our experience and learnings with customers. We took a phased approach for regional implementations, which enabled us to adapt the cloud solutions and business networks to the differences in regional languages, regulatory requirements, and supplier ecosystems. In fact, GPO played a key role in expanding Ariba Network outside of North America and helped add thousands of European suppliers to Ariba Network when it was still new in the region.
Reinventing procurement:  
Our strategy for the future

By 2016, with our foundation, organizational structure, end-to-end processes, and system landscape well established, we were able to shift attention and concentrate on our next priority: **how to spend better and with purpose**. The future procurement organization will be powered by data, but driven by people. To be an intelligent and purpose-driven procurement organization we must prepare our people and processes for constant change and continue to embrace technology accelerators. Our 2020 vision is to become a business value enabler by elevating our focus to business strategy, development, and execution. The following five strategic pillars were established to keep our organization aligned and focused on our ambitious 2020 vision.
Business value enablement is a top priority for GPO, as it is for any organization with complex processes and systems. We have worked hard to rebuild and improve business partnerships and align objectives with our internal partners, including the CIO, CMO, CFO, and CHRO. We started by addressing one partner at a time and showing how we can deliver and add value.

In the past, procurement was brought into projects once it was time for contract execution, but now we partner on business strategy development and execution to facilitate purchase decisions and leverage supplier innovations. By continuing to focus on business partnerships and overall supplier lifecycle management, GPO is better positioned to become a transformation agent and value enabler, delivering forward-looking market intelligence and strategic consultation to the business.

Reinventing procurement: our strategy for the future

Contribute **strategic value** to the business

Our evolution to a strategic function:

- Operationalize business partnering to establish GPO as a trusted advisor and maintain relationships with key stakeholders through value-adding activities
- Establish trusted relationships with strategic suppliers through supplier lifecycle management to drive value and innovation
- Empower buyers to be proactive and focus on category strategies and strategic tasks, such as market intelligence, demand planning, and spend management
- Shift tactical tasks involving low or no complexity to systems and/or a shared services center
- Automate or eliminate operational tasks

GPO partnered with SAP lines of business managing their own spend programs to help analyze their supplier portfolios. These joint efforts resulted in identifying wide areas of opportunity. Without disturbing relationships with suppliers, **better rates, rebates, and terms were negotiated with large suppliers by bundling volumes.** This led to improved strategic relationships with key suppliers as well as significantly improving SAP’s operating margin.
We aim to shape a successful business that can improve society, the economy, and the environment through responsible sourcing. Sustainable procurement is no longer just an operational consideration; it is a key pillar of our purpose strategy. GPO is committed to make our supply chains more transparent by identifying and mitigating unethical practices and supplier sustainability risks.

Supplier diversity is another important part of our purpose-driven procurement strategy. Our step-by-step program has established targets for diverse suppliers by 2020, and GPO is currently focusing efforts to involve diverse suppliers in the sourcing and procurement process for numerous categories.

Executing purpose-driven procurement:
- Structure supplier selection, sourcing, and monitoring based on environmental and social criteria
- Incorporate more diverse suppliers into the supply base and promote diversity of suppliers
- Make sustainability a more integral part of procurement processes and policies

SAP is currently a corporate member of the following minority supplier certification organizations:
- National Minority Supplier Development Council (NMSDC)
- WE Connect International
- Minority Supplier Development UK (MSDUK)
- US Business Leadership Network (USBLN)

Our commitment to 100% renewable electricity is crucial to making SAP’s operations more sustainable and carbon neutral by 2025. Through the sourcing of green electricity and renewable electricity certificates (RECs) we reduced our carbon emissions by 28% in 2017.
We are committed to being the most innovative procurement organization when it comes to delivering solutions to our business partners. Moving to the cloud has helped increase business agility, and we are now able to consume innovations at a faster pace than ever before.

“For us, cloud readiness is now a thing of the past; we are living in the cloud. The business network is the entrance to the business model. This is where collaboration with our business partners is being managed. This is our new normal.”

Tamara Braun, SAP CPO

Go Live timeline:
Improving customer satisfaction and the shopping experience for our almost 100,000 employees is ultimately the key measure of our success. Employees are accustomed to simple online shopping experiences in their personal lives, and we want to give them a similar experience in their corporate environment. We focus on user-friendly processes coupled with options that allow employees to decide how to best meet their business needs. We deliver a no-touch or low-touch engagement model wherever possible through automation and believe that total value goes beyond negotiated savings to include the overall user experience.

Employee surveys are conducted on a regular basis to measure how we are doing in this area and where more work is needed. The net promoter score for recommending SAP procurement services to others has improved by 27.1% in 18 months.

End-user success and customer satisfaction:

- Realign spend categories to business user needs
- Make procurement easy to do business with
- Give customers a positive shopping experience
- Establish state-of-the-art catalog solutions by implementing the guided buying capability
- Enable an online marketplace for items not available in our standard catalogs using the SAP Ariba Spot Buy Catalog solution
- Enable a live chat function with procurement experts
- Showcase fast and easy ordering and delivery with onsite vending machines for urgently needed goods
Businesses must take advantage of digital technologies, such as machine learning and artificial intelligence, to automate processes and eliminate repetitive, high-volume tasks. We are continuously evaluating how technologies can help reduce our tactical workload. We are utilizing machine learning to help with purchase order reconciliations, robotics process automation to eliminate data entry, and chatbots to augment support. GPO understands the complexities of total spend management and engages in strategic value-adding activities by carefully evaluating tasks and, where automation is not an option, shifting all operational and most tactical activities to our shared services center. This allow us more time to understand and respond to the business demand and nurture stronger, mutually beneficial, and strategic relationships with existing and new suppliers.

Evolution of procurement towards a strategic function in a fast and dynamic environment

“A strong focus on **standardization and automation** is key for survival.”

Tamara Braun, SAP CPO
People are our biggest asset. We believe that success is human and that building a culture of lifelong learning is key. To achieve success in any of our five strategic pillars we must remain committed to develop our skills and expand our competencies. This requires an adaptable workforce.

To realize the maximum business value, our procurement team must:

- Understand line-of-business strategies and incorporate them into procurement strategies
- Have solid market intelligence
- Have solid knowledge of the supply base
- Work with data and have strong analytical skills
- Define category strategies based on data analysis
- Have a digital mind-set

World-class procurement organizations empower talented, highly skilled workers with cutting-edge technologies so these workers are best-equipped to make sound business decisions. When this combination of people and technology results in tangible successes, procurement can establish itself as a trusted partner. GPO is committed to strengthening the role-based learning and development model to prepare a skilled team of procurement professionals.

Tips for lifelong learning:

- Learn on the fly wherever you are using all available resources
- Be open to change, not fearful of it
- Stay on top of trends
- Build your networks: social, business, and personal
- Have a hunger for new experiences; always move forward
Measuring success | Results and recognitions

A key measure of our success is customer satisfaction. Our customer satisfaction score has been continuously improving, and we have had no escalations on customer SLAs despite an increase in the number of SAP employees and spend under our management.

Other measures of success are defined using both qualitative and quantitative indicators, with specific targets assigned for some of these. Over the course of our ongoing journey, we have met, and in some cases, exceeded targets.

<table>
<thead>
<tr>
<th>Three months</th>
<th>Most sustainable</th>
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<tbody>
<tr>
<td>Deployment time for the initial SAP Ariba Catalog migration for ~70K employees</td>
<td>In 2018 appointed software sector lead by the Dow Jones Sustainability Indices for the 12th consecutive year</td>
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<tr>
<td>~6% Savings rate</td>
<td>&gt;9K Suppliers on Ariba Network</td>
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<tr>
<td>44% Increase in automation</td>
<td>&gt;2.4 billion (45%) Purchase order value sourced</td>
</tr>
<tr>
<td>20% Improvement in productivity</td>
<td>34% Rationalization of suppliers (80% spend)</td>
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Transformation has delivered other hard and soft benefits, including:
- Economies of scale and improved control through shared services
- Lower costs through automated data extraction and process automation
- Dramatic cycle time reduction
- Improved user satisfaction
- Workforce efficiency through streamlined processes, including mobile approvals
- Management of higher spend with the same number of resources
- Fewer invoice errors
- Improved working capital management through better visibility into cash requirements
- Optimized cash discount utilization, including dynamic discounting
- Protection of the SAP brand from supplier-related legal and reputational risks
Key learnings

Define the vision and strategy, but, most importantly, get started

Focus on all the stakeholders – suppliers, internal partners, and employees

Do not change simply for the sake of change – justify the transformation with a business case and value proposition

Decide on the right partner, not just a best-of-breed solution

Focus on spend and agility, use a phased approach and develop quick wins

Plan well for communication and change management

“Don’t change for the sake of change; there should always be a purpose.”

Chief Design Officer, Porsche
What’s next?

We are very excited about establishing an innovative, strategic environment and being the kind of organization our employees are proud to be a part of. At the same time, it is incredibly challenging to achieve all that we have on our road map, especially in these rapidly changing times. Speed and agility are therefore critical components. Our goal is to be an intelligent spend management organization operating in an Intelligent Enterprise. This requires the ability to:

**Digitize processes**
- Transform into a digital enterprise for a seamless, responsive procurement organization
- Eliminate unnecessary transactions and automate the rest
- Drive collaborative and self-service marketplaces
- Utilize digital assistants and chatbots

**Drive insights**
- Enrich data for analytics and insights to make more-informed decisions
- Predict demand through dynamic forecasting and market insights
- Manage supplier partnerships based on deep insight

**Develop talent**
- Elevate procurement capabilities and intelligence
- Infuse team with new skills, methods, and assets – develop a lifelong learning culture
- Focus on high-value activities and contributions

**GPO 2025 Intelligent Procurement**
To be an intelligent procurement organization, we must continue to prepare our people and processes for constant change and continue to embrace the following accelerators:

- **Integrated cloud solutions** for total spend management
- **Connected business networks** for real-time collaboration and transparency
- **Big Data advanced analytics** for actionable and insightful information
- **Artificial intelligence/machine learning** embedded into our core processes for autonomous and intelligent capabilities

Complete our [next-generation benchmark survey](#) to assess the maturity level of your procurement organization and identify areas of opportunity.

**The time for transformation is now – don’t get left behind.**