Chapter 7
Supporting the Procurement Process with SAP

What are the fundamentals of a procurement process?
• Three activities
  – Order; Receive; Pay

What are the fundamentals of a procurement process?
• Supporting the Inbound Logistics Process in the Value Chain
  – Procurement of raw materials needed for production

What are the fundamentals of a procurement process?
• Linking the fundamentals of the procurement process with Inbound Logistics in the Value Chain

Three-Way Match done by accounting after goods received before the invoice is paid.
### What were the problems with the Procurement process before SAP?

<table>
<thead>
<tr>
<th>Role</th>
<th>Problem</th>
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</thead>
<tbody>
<tr>
<td>Warehouse</td>
<td>Growth in finished goods inventory reduces warehouse space for raw material inventory. Warehouse manager does not have data on sales price discounts.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Three-way match discrepancies take time to correct. Accounting data are not real-time.</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Purchasing agents not centralized; training experience and motivation difference. Weak internal controls leads to limited scrutiny of purchases.</td>
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</tbody>
</table>

### How does CBI implement SAP?

- CBI had to reexamine and refocus their strategy
- Involved three activities
  - Determine industry structure
  - Commit to a specific competitive strategy
  - Develop objectives and measures for processes

### How does CBI implement SAP?

- **High-level**:
  - Define the key requirements for their SAP implementation.
  - Decide on the industry structure and the processes that will be affected by SAP.
  - Create objectives and measures for their processes.

### How does the Procurement process work at CBI after SAP?

- **Maintained same three major activities**
  - Order; Receive; and Pay
- Single shared database
- Solutions to prior problems
  - Purchasing
  - Warehouse
  - Accounting

### How many accountants does it take to... How many errors are eliminated?

<table>
<thead>
<tr>
<th>Process</th>
<th>Purchasing Manager</th>
<th>Warehouse Manager</th>
<th>SAP Application</th>
<th>Accountant</th>
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</thead>
<tbody>
<tr>
<td>Error</td>
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### How does the Procurement process work at CBI after SAP?

- **Purchasing**

![Diagram](https://via.placeholder.com/150)

**FIGURE 7-13 Purchase Order Screen in SAP for 20 Water Bottles and 30 Water Bottle Cages from Space Bike Composites**
How does the Procurement process work at CBI after SAP?

- Goods Receipt

How does the Procurement process work at CBI after SAP?

- Invoice Three-Way Match

How does the Procurement process work at CBI after SAP?

- Payment

Benefits of SAP for CBI’s procurement process
- Single database
- Shared information in real time
- Reduction of errors
- Improved financial controls
- Increased responsiveness

How can SAP Improve the Integration of Supply Chain Processes at CBI?

- Supply Chain Processes
- Supply Chain Process Integration
- Improving Supply Chain Process Integration by Sharing Data
- Improving Supply Chain Process Integration by Increasing Process Synergy
- Other IS That Improve Supply Chain Processes

How can SAP Improve the Integration of Supply Chain Processes at CBI?

- Other IS That Improve Supply Chain Processes
  - Augmented reality
  - RFID
  - Sensors
  - Robotics
  - 3D printing
How can SAP Improve the Integration of Supply Chain Processes at CBI?

• Sharing Data
• Increasing Process Synergy
• Other IS That Improve Supply Chain Processes

How does the Use of SAP Change CBI?

• New skills are needed
• Process focus
• More data sharing
• Outsourcing