

Chapter 7

Supporting the Procurement Process with SAP

What are the fundamentals of a procurement process?

- Three activities
 - Order; Receive; Pay

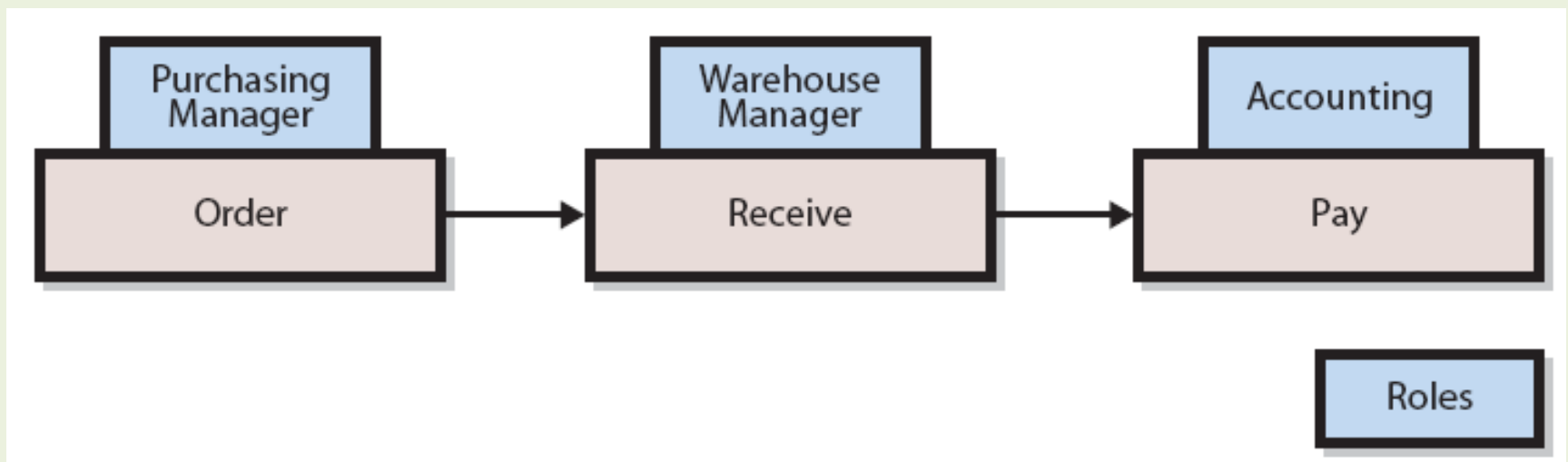


Figure 7-1 Main Procurement Process Activities and Roles

What are the fundamentals of a procurement process?

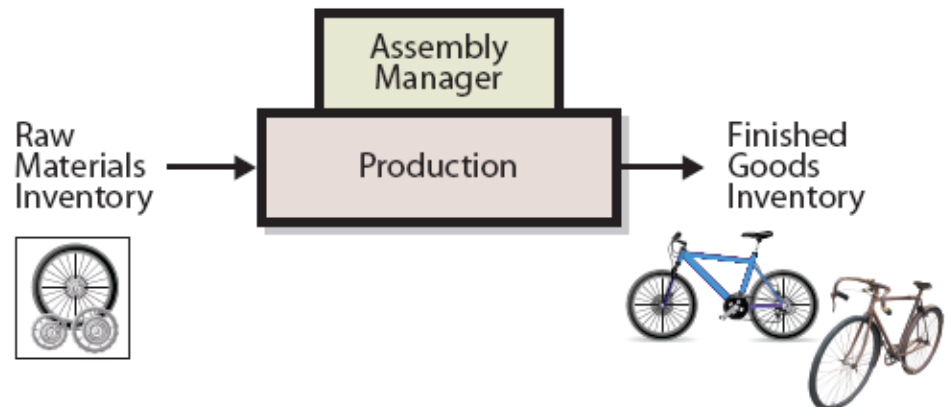
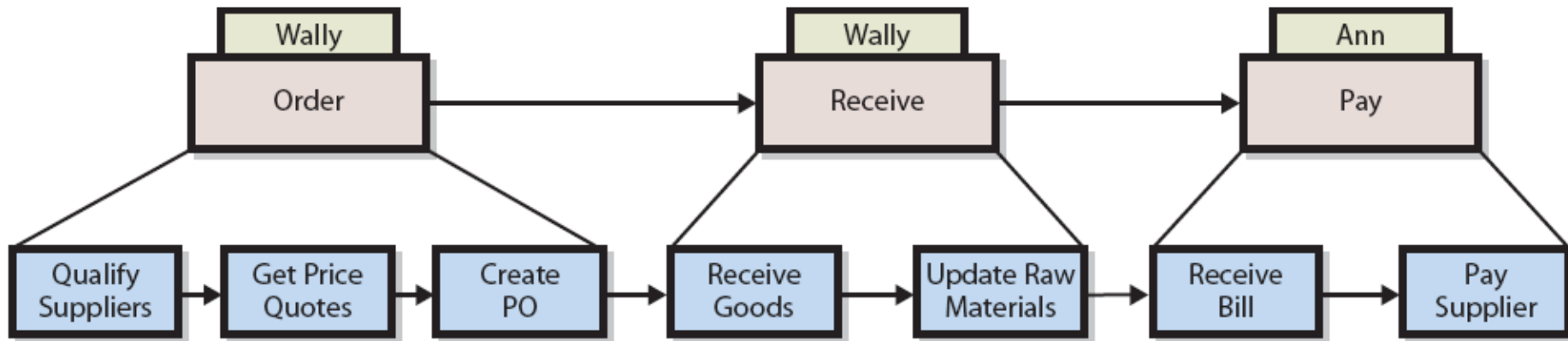
- Supporting the Inbound Logistics Process in the Value Chain
 - Procurement of raw materials needed for production

Primary Activity	Description	Process & Chapter
Inbound logistics	Receiving, storing, and disseminating inputs to the product	Procurement, Chapter 7
Operations	Transforming inputs into the final product	
Outbound logistics	Collecting, storing, and physically distributing the product to buyers	
Sales and marketing	Inducing buyers to purchase the product and providing the means for them to do so	Sales, Chapter 8
Customer service	Assisting customers use of the product and thus maintaining and enhancing the product's value	

Figure 7-2 Procurement Process within the Value Chain of CBI

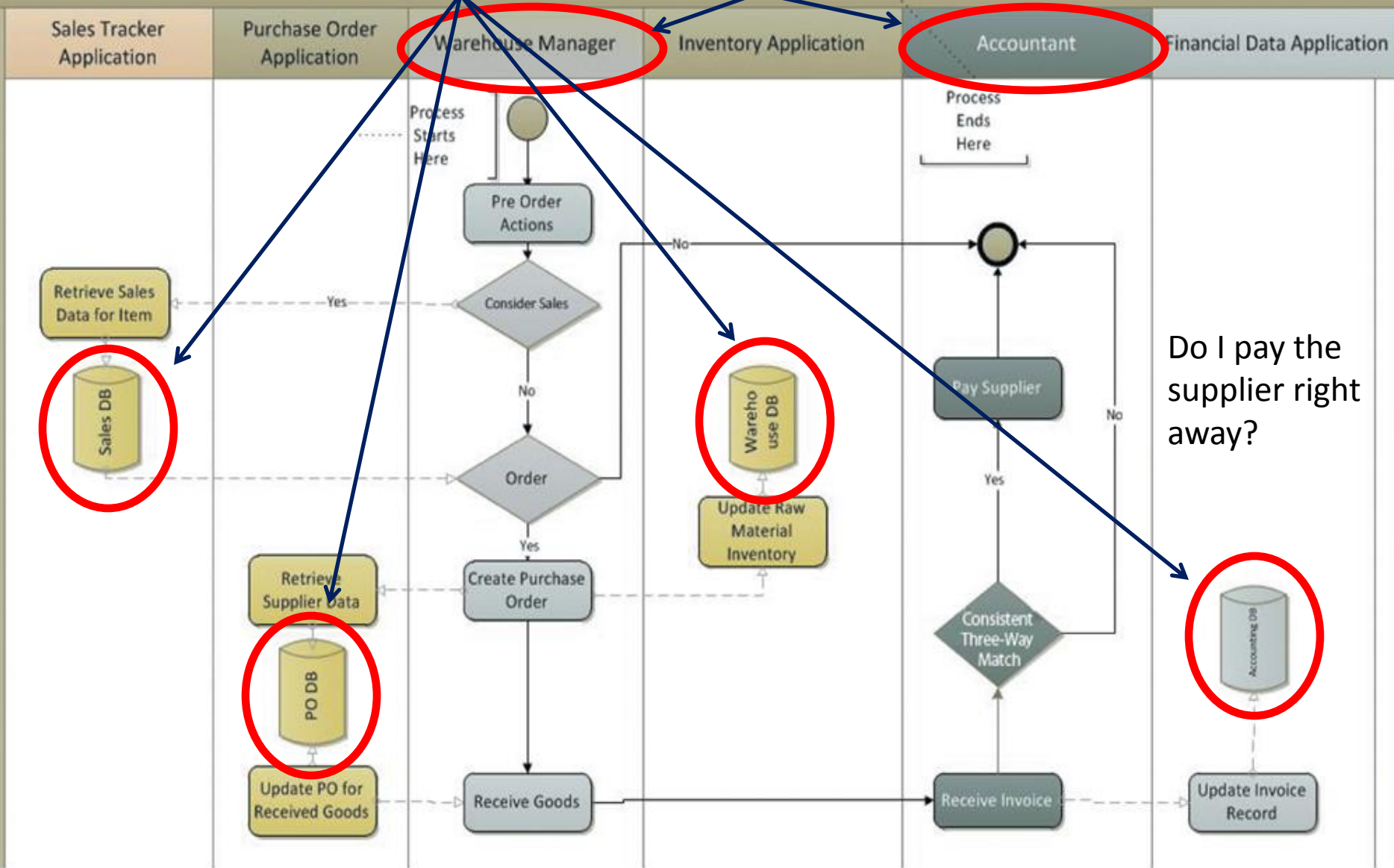
What are the fundamentals of a procurement process?

- Linking the fundamentals of the procurement process with Inbound Logistics in the Value Chain



4 Information Silos

2 People



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Three-Way Match done by accounting after goods received before the invoice is paid

TO: Space Bike Composites SHIP TO: Chuck's Bikes Inc P.O. NUMBER: 15432

P.O. DATE	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
1/14/2012	Wally Jones	Truck	Midpoint	

QTY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL
15	PQ131	Deluxe Road Bikes	\$120	1800

Goods Receipt Data

RECEIPT		NO.
Space Bike Composites		Chuck's Bikes Inc
DATE	DESCRIPTION	AMOUNT
1/14/2012	15 Deluxe Road Bikes	
SUBTOTAL		
TAX		
TOTAL		\$1800

Matching Items
Numbers
Dollars

Purchase Order Data

Invoice Data

SPACE BIKE COMPOSITES		INVOICE
TO	Chuck's Bikes Inc	FROM Space Bike Composites

SALESPERSON	JOB	SHIPPING METHOD	SHIPPING TERMS	DATE	PAYMENT TERMS	DUE DATE
			Due on receipt	01/14/2012		

QTY	ITEM #	DESCRIPTION	UNIT PRICE	DISCOUNT	LINE TOTAL
15	PQ131	Deluxe Road Bikes	\$120		\$1800

What were the problems with the Procurement process before SAP?

Role	Problems
Warehouse	Growth in finished goods inventory reduces warehouse space for raw material inventory. Warehouse manager does not have data on sales price discounts.
Accounting	Three-way match discrepancies take time to correct. Accounting data are not real time.
Purchasing	Purchasing agents not centralized; training experience and motivation difference. Weak internal controls lead to limited scrutiny of purchases.

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How does CBI implement SAP?

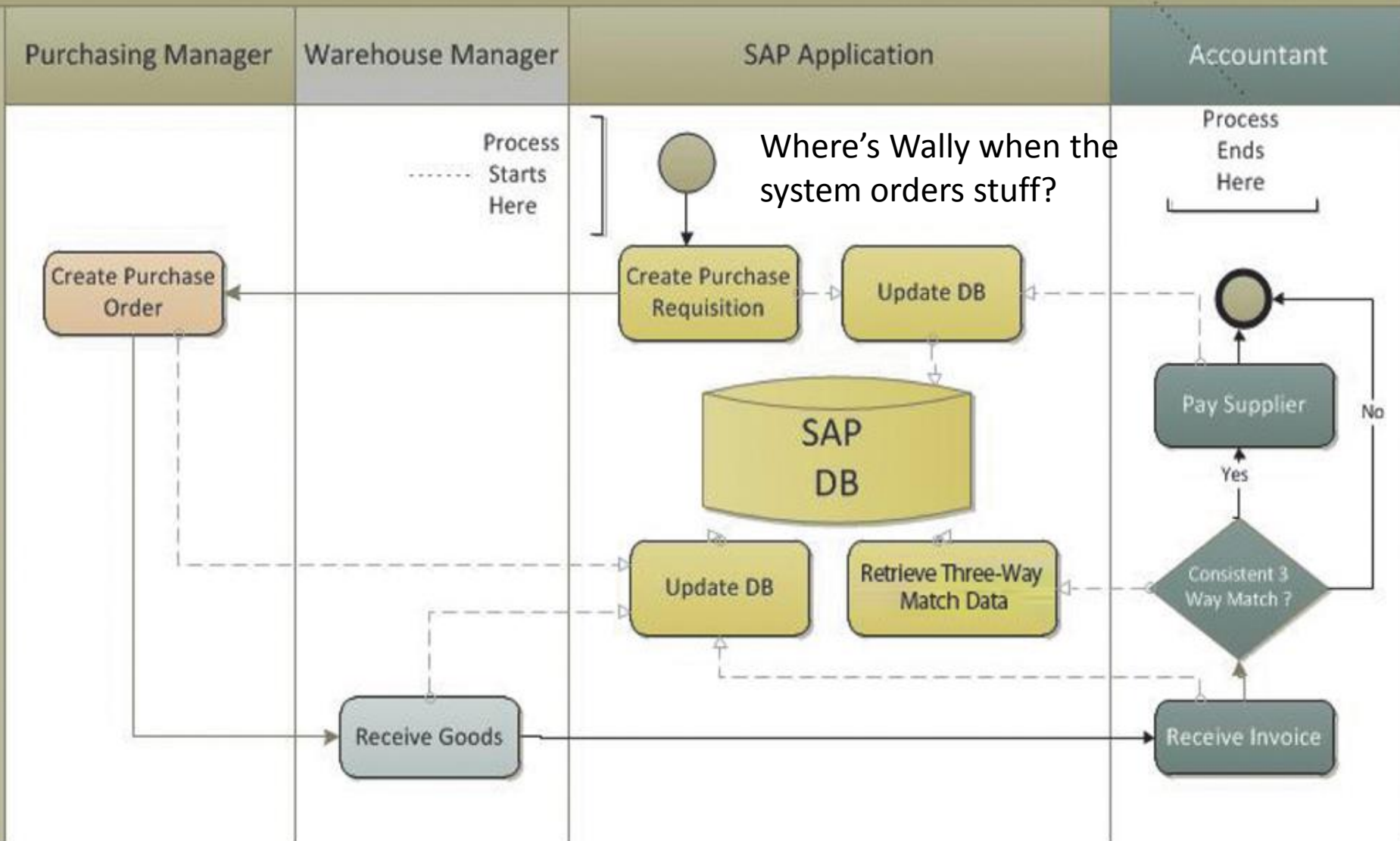
- CBI had to reexamine and refocus their strategy
- Involved three activities
 - Determine industry structure
 - Commit to a specific competitive strategy
 - Develop objectives and measures for processes

How does 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?



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How does the Procurement process work at CBI after SAP?

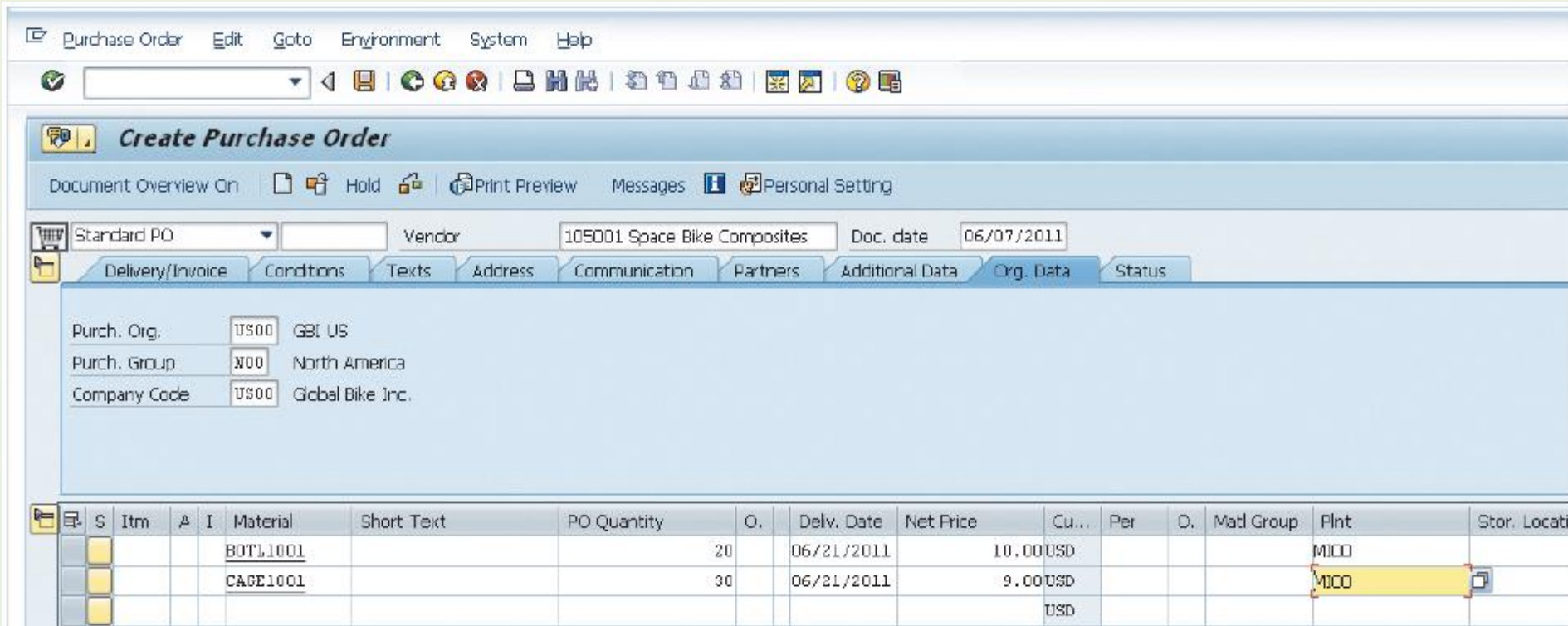


FIGURE 7-13 Purchase Order Screen in SAP for 20 Water Bottles and 30 Water Bottle Cages from Space Bike Composites

How does the Procurement process work at CBI after SAP?

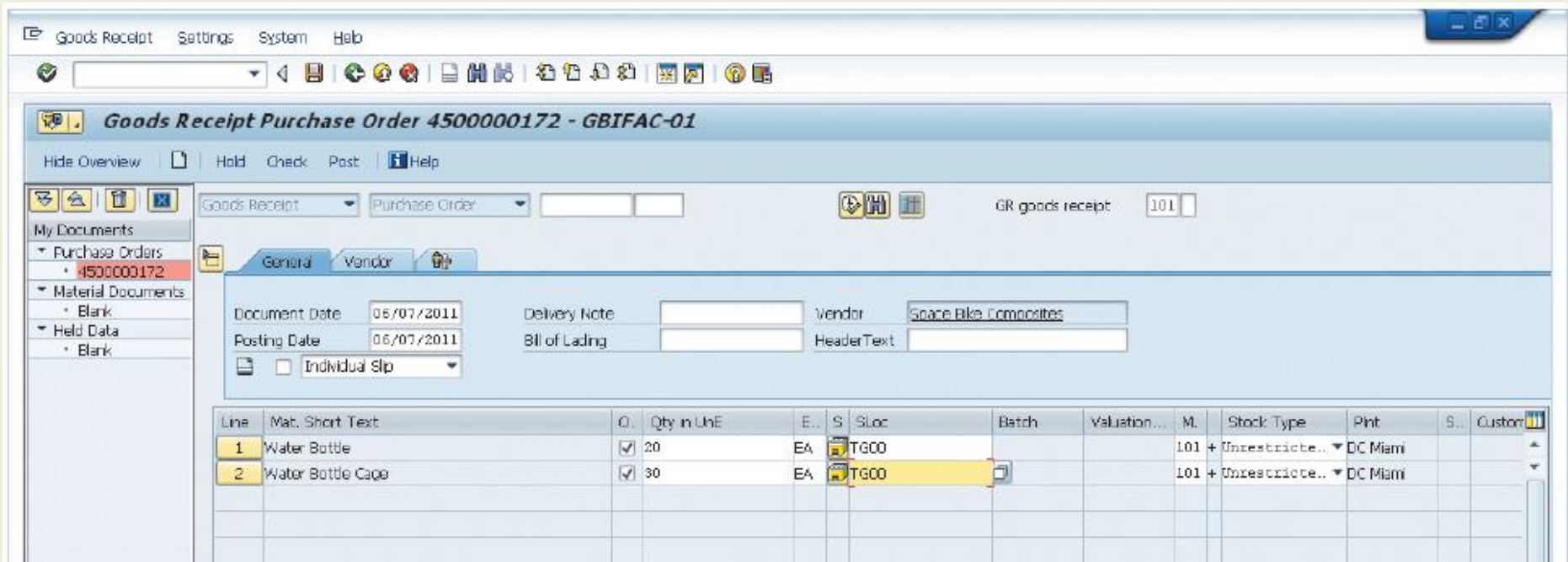


FIGURE 7-14 Goods Receipt Screen in SAP

How does the Procurement process work at CBI after SAP?

- Invoice Three-Way Match

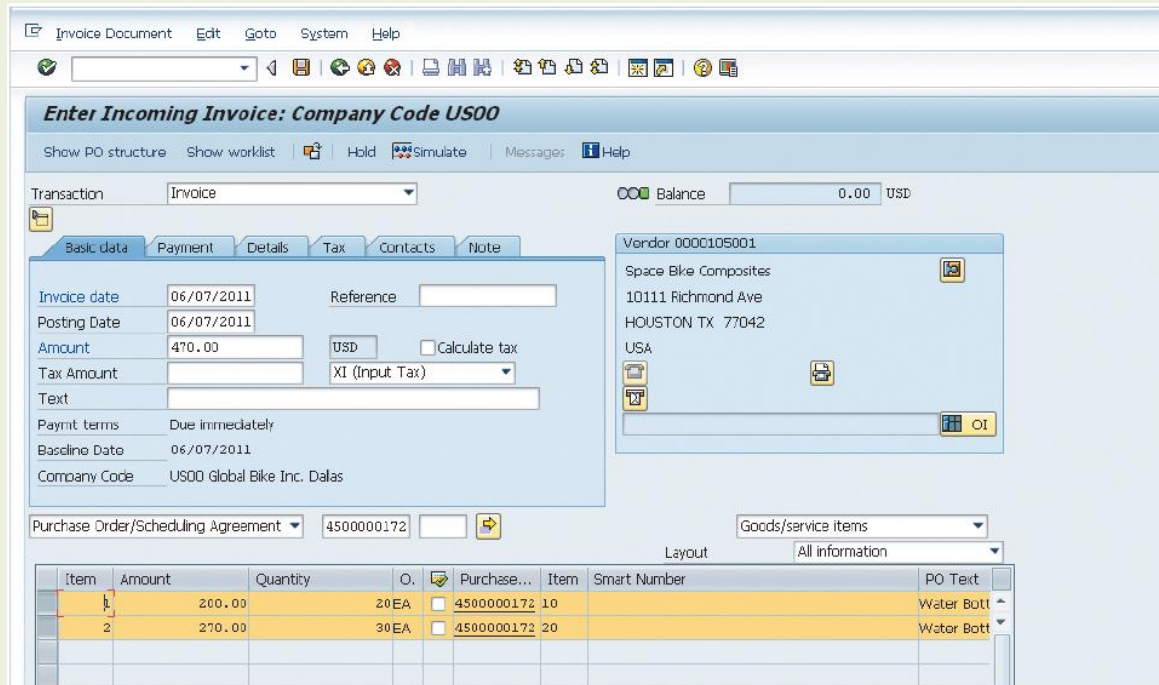


FIGURE 7-15 Enter Incoming Invoice Screen in SAP

How does the Procurement process work at CBI after SAP?

Post Outgoing Payments: Header Data

Process open items

Document Date	06/07/2011	Type	KZ	Company Code	US00
Posting Date	06/07/2011	Period	6	Currency/Rate	USD
Document Number		Translatn Date			
Reference		Cross-CC no.			
Doc.Header Text		Trading Part.BA			
Clearing text					

Bank data

Account	100000	Business Area	
Amount	470.00	Amount in LC	
Bank charges		LC bank charges	
Value Date	06/07/2011	Profit Center	
Text		Assignment	

Open item selection

Account	105001	<input type="checkbox"/> Other accounts
Account Type	K	<input checked="" type="checkbox"/> Standard OIs
Special G/L ind		
Print advice no.		
<input type="checkbox"/> Distribute by age		
<input type="checkbox"/> Automatic search		

Additional selections

- None
- Amount
- Document Number
- Posting Date
- Dunning Area
- Others

FIGURE 7-16 Post Outgoing Payments Screen in SAP

How does the Procurement process work at CBI after SAP?

- 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