

Greater **Transparency** in the Procurement of Services

Many companies have largely standardized the purchasing of indirect materials: stationery, hardware, software, technical books and journals, office furniture and the like are selected by staff from online catalogs, and orders are then placed using some internal system – often SAP SRM. The procurement of services is usually handled quite differently. Complex services in particular cannot be mapped using the existing systems, because the necessary functions are simply not provided. It is often entirely unclear what services have actually been performed and whether the cost was justified. SupplyOn's integrated solution not only deals with purchasing direct and indirect materials but also covers the procurement of services, making the entire process – from ordering to delivery – clear and efficient.

Challenges

When a company first engages a service provider, the exact volume and level of required services is often not yet known – even in the case of a long-term partner working under previously negotiated conditions.

The first step, therefore, is for Purchasing and the operating department to reach agreement with the provider as to the volume of services required. Systems such as SAP SRM do not support this type of negotiation, so people commonly use unstructured communication methods such as phone, fax and e-mail. In many cases, discussions with service providers are entirely oral, or at best written down somewhere in an e-mail.

This practice is all too likely to backfire at the next stage, when the service provider submits his invoice. Particularly if changes are made to the range or volume of services originally ordered – and this is the case far more often than not – there will inevitably be misunderstandings. And aside from that, process costs for this type of purchasing process are disproportionately high.

The SupplyOn solution

The SupplyOn collaboration platform links to the internal SAP SRM system via a standard connector. Once Purchasing has negotiated daily rates and conditions with the service provider, the operating department can request the required services directly.

A quantity request is placed, using the SAP SRM shopping cart, and passed on via SupplyOn to the service provider, who then submits a bid. If necessary, the service provider's bid may include additional items from the catalog, or arbitrary explanatory text, for instance if the provision will incur travel expenses, material costs, or the like.

Over the course of the service provision, the provider documents the progress of the work and, if appropriate, enters any increase in the expected effort directly into the system.

SupplyOn supports the entire service procurement process, from the request, through ordering, down to recording exactly what services were provided.

BENEFITS AT A GLANCE

- Reducing the process costs for procuring services by means of an efficient system-supported process
- Saving time in the purchasing process by avoiding misunderstandings and further inquiries
- Speeding up the purchasing process by defining clear workflows and responsibilities
- Reducing costs by giving Purchasing full control of the negotiated prices and the services actually provided
- Reducing the effort needed to monitor services, because this is done online by the provider and only needs Purchasing's approval
- The standard connector used by the SupplyOn collaboration platform means that it easily integrates into your internal systems

The service procurement process

The procurement process is explained in detail below, using as example a car manufacturer who wants to hire an IT service provider to program a software extension: The development department decides, together with Purchasing, which IT programming consultants are suitable. Purchasing then negotiates daily rates for programmers with various skill levels. The results of this negotiation (performance units and prices) are then placed in the catalog.

Once this has been done, the development department can call up a shopping cart in the SAP SRM system, place in it the appropriate performance units selected from the catalog, and exactly specify what is required. By clicking on Source@SupplyOn, the service provider will receive an e-mail containing a link to the SupplyOn system where he can view the request transmitted from the SAP SRM system. The service provider then scrutinizes the request and responds by stating the number of man-days that will be needed for the requested software development, which in this case will extend over a period of several months. The provider can also propose a Junior Developer in addition to the requested Senior Developer, also by directly accessing the negotiated catalog of services.

When the provider submits its bid via SupplyOn, the employee who placed the order receives the relevant information in their SAP SRM system directly from SupplyOn – without having to

involve Purchasing. The development department examines the bid in its SAP SRM system and then generates a purchase order, which in turn is sent to the service provider via SupplyOn.

When the service order has been placed, the system automatically creates a sheet for the entry of the performed services, the so called Service Entry Sheet. This sheet is placed in the service provider's inbox on SupplyOn, where it can be edited. This record contains information such as items (quantity ordered, service performed, quantity remaining), contacts, period and order number. Each month, the provider enters the number of hours and days worked into the Service Entry Sheet.

This sheet is then automatically transferred to the SAP SRM system, filed there as confirmation, with workflows, and – when appropriate – passed to the ERP system. Versioning of each Service Entry Sheet ensures that the progress of the service provision remains transparent.

In future it will be possible to automatically create an invoice or credit note from the Service Entry Sheet.

Naturally, the process described here applies similarly to the procurement of other services, such as machinery and equipment maintenance, facility management, and cleaning services.