Important Considerations for Ariba Implementations: Case OP

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Introduction

• Implementing Ariba Cloud solutions has direct impacts to external and internal stakeholders

• Key questions organizations must sort out:
  • What kind of procurement operating model will I set up?
  • What spend categories will I handle in Ariba?
  • Which suppliers will I on-board into Ariba?

• Due to its SaaS nature, Ariba implementation project differs e.g. from a typical (on premise or private cloud) SAP ECC implementation

• This presentation aims to provide insights into these kinds of questions and topics, based on Accenture’s overall Ariba experiences, and in particular the Case OP

• Presenter Olli Sihvonen is the SAP Sourcing and Procurement Lead for Accenture Finland, and the Project Manager for the Ariba Implementation at OP
OP and Accenture Background

- OP is the leading banking and insurance company in Finland
- OP co-operative is a mutually-owned organization
- In 2013, OP outsourced majority of its ICT Services
- Accenture is one of the two primary partners for OP for AM and AD services, responsible for 250+ applications, and with hundreds of people participating in the provisioning of these services for OP
Background and Starting Situation (fall 2014)

- OP Group’s 1.1B € external spend represents 75% of the Group’s total costs
  - Group indirect spend 560M €
  - Insurance Claims procurement 550M €
- The external spend is 90% services, for the procurement of which no tools in place to manage the spend and provide visibility and transparency
  - Existing Catalog Procurement tool in use only for limited non-services categories (8M € spend / 1.3% of total)
- Other processes supported with standalone tools that would require extensive further development (Hanki, CLM, Vendor XRM, Qlikview, Basware IP)

OP Group does not have a comprehensive tool to support the management of sourcing and procurement processes and to provide transparency, visibility and forecasting ability to external spend
OP Strategic Targets and Goals for Sourcing & Procurement

Current
- No transparency to external spend (who, what, where, how much)
- Sub-optimal usage of Group-level contracts
- No adequate tools to track external spend
- Group-level Procurement processes and procedures not in place
- No overall management of sourcing and procurement activities

Target
- PO item level transparency to external spend and processes
- Concentration of spend, savings, risk management
- Spend forecasting -> support for budgeting and financial control
- Common procurement platform -> long-term process efficiency
- Fact-based measurement and tracking of spend

SuccessFactors
- SOCIAL COLLABORATION with SAP Jam
- People

SAP ECC FICO
- Customer

Ariba
- Money
- Supplier

BUSINESS COLLABORATION with the Ariba Network
OP Ariba Program Approach: Scope

Full Ariba Upstream (Strategic Sourcing) and Ariba Downstream (Operational Procurement) stack:

- Spend Visibility
- Supplier Information Management
- Sourcing
- Contract Management
- Supplier Performance Management
- Procure to Pay
- Services Procurement
- Ariba Network (Buyer)
OP Ariba Program Approach: Implementation Timeline

Release 1: Procure to Pay (incl. Invoice Management), Services Procurement, Spend Visibility

Release 2: Sourcing, Contract Management, Supplier Management

Release 1 Waves:
Wave 1: Procure to Pay
Wave 2: Services Procurement, Non-PO Invoice Management, Spend Visibility *(delayed from Wave 1)*
Wave 3: ICT Services category implementation; additional development for P2P and Services Procurement

Sep 1, 2014
Project start

Sep 28, 2015
R1-W

Jan 4, 2016
R1-W2 and R2

Sep 2016
R1-W3
Key Considerations for Ariba Implementation

- Procurement Strategy and Operating Model
- Category Strategy and Buying Channels
- Business Transformation / Business Change Management
- Supplier Integration and Enablement
- Electronic Invoicing and Invoice Processing Automation
- Ariba Implementation Technical Execution
  - Implementation Methodology, Approach and RACI
  - Security and Data Privacy
  - SAP – Ariba Integrations
  - System Landscape and Environments
  - Configuration vs. Customization vs. Enhancement
Procurement Strategy and Operating Model – Future of Procurement

A new digitally driven, strategically focused procurement organization

The future will give rise to a Procurement organization of one, collaborating closely with ...

- Virtually Integrated Enterprise
- Business Stakeholders
- Embedded Procurement Teams

... and supported by 4 key digital technologies

- Cloud Computing
- Analytics
- Industrial Internet of Things
- Cognitive Computing

Smaller, central procurement core team powered by the 5 Apps

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Procurement Strategy and Operating Model – Key Considerations

- Make or Buy (in-house vs. outsource)
- Self Service vs. Assisted / Guided Buying vs. Centralized Process
- Front Office vs. Middle Office vs. Back Office Roles and Responsibilities
- Operational Procurement Processes and Process Variations

→ Procurement Process Model and Organizational Roles and RACI, supported by Procurement Strategy and Operating Model
Category Strategy and Buying Channels

- Different Spend Categories require different approaches with regards to:
  - Procurement Policies, Processes and Procedures – Balance between control and efficiency
  - Involvement of Procurement Organization
  - Automation and incentivization of compliance
  - Tools and Technologies

→ Buying Channel Concept

Key Considerations:
- Selecting the right Channel (mix) per Category → Category Strategy and Decision Tree
- Guiding the stakeholders into using the right Buying Channel → Buying Portal
Business Transformation / Business Change Management

- Stakeholder Analysis
  - Internal Stakeholders
  - External Stakeholders
- Organizational Change Management
  - Procurement Policies
  - Approval Policies
  - Communication
  - Training
  - Buying Portal – Landing Page
- Internal buy-in

Stakeholder and benefits analysis
Supplier Integration and Enablement

- Your Suppliers will be Impacted with your implementation of Ariba solutions (e.g. P2P or Sourcing) – usage of Ariba Network (AN)
  - Registering to AN – License Fees
  - Receiving and participating in tenders and receiving and collaborating with POs
  - Using AN and possibly integrating to AN to handle POs, Catalogs, Invoices etc.

- You have to plan and manage activities related to
  - Supplier Classification and Selection
  - Communication
  - Commercial Negotiations
  - Supplier On-boarding and Training
  - Supplier Technical Integration
  - Content creation (e.g. Catalogs)

Source: Ariba
Electronic Invoicing and Invoice Processing Automation

- Invoice Channels to Ariba:
  - Direct Integration (Supplier ERP <-> AN)
  - Direct Creation in AN (PO Flip)
  - ICS / Open ICS Interface to AN (Invoice Conversion Service)
  - Invoice Entry in P2P (typically BPO)
  - Third-Party Tools / Invoice Processing in ERP (e.g. SAP FICO)

- Finnish B2B market is highly digital already: 70+ % of invoices are electronic (Finvoice and Teapps formats; strong eInvoice operator network in place)

- Key Considerations
  - Technical eInvoice Formats, Conversions, Data Content Requirements to Suppliers
  - Different Parties involved (Supplier, eInvoice Operators, Ariba etc.)
Ariba Implementation Technical Execution: Implementation Methodology, Approach and RACI

- Methodology: Buying Organization vs. Ariba vs. Implementation Partner
- Approach: Agile (prototyping / iterative etc.) vs. waterfall
- Timeline
  - Ariba P2P std. Deployment: 20+2 weeks
- Release Management: Is the Deployment split into multiple releases / waves
- RACI: Buying Organization vs. Ariba vs. Implementation Partner
  - Deployment Description (per module) forms the basis for Ariba involvement
  - Contractual Model between parties
Ariba Implementation Technical Execution: Security and Data Privacy

- **Security:**
  - User logon / SSO
  - Technical integrations (basic vs. certificate based authentication)
  - Ariba Mobile Application

- **Data Privacy:**
  - Ariba Data Center Locations (US and Europe)
  - Implementation Partner Delivery Center Locations

- **Authorizations:**
  - Roles and Authorizations for End Users as well as Implementation Partners
  - Data visibility control
Ariba Implementation Technical Execution: SAP-Ariba Integrations

- Multitude of technologies available:
  - File-based
  - Web-Services
  - Direct point-to-point integration
  - Mediated integration (SAP PI/ITK, SAP HCI)
  - Integration plug-in (ECC <-> AN)

- Key considerations:
  - Ariba-provided integration content (SAP PO, SAP ECC) is evolving fast
  - Typically, standard integration content requires additional ABAP development
  - Effort depends heavily on number of interfaces needed
Ariba Implementation Technical Execution: System Landscape and Environments

• Ariba: 2-tier Landscape
  • For Spend Visibility, effectively a 1-tier landscape only
• Typically ERPs have 3-6-tier landscapes

• This impacts:
  • Prototyping after initial project phases (no separate sandbox)
  • Testing (if testing parallel to development)
  • Training (if parallel to testing)
  • Quality Assurance / Regression testing (if frequent Releases)

• Also, new features that Ariba publishes become available / are activated at the same time in Test and Production
  • Possibility to Early-Access System
Ariba Implementation Technical Execution: Configuration vs. Customization vs. Enhancement

• Typical Cloud Implementation Strategy: Adopt standard (out-of-the-box) solution

• Reality: Often something else

Configuration:
• Some few hundred configuration parameters
• Additionally, configurable workflows, and invoice exception processing

Customization:
• Field changes: Hiding, Renaming, adding new fields
• Limited options for process / functionality changes

Enhancement:
• Implemented to Ariba standard solution based on requirement
• Requires a strong and generally applicable business case
• Lead times are relatively long (at least quarters)

• Customizations
  • Often “trial and error”
  • Risk for negative side-effects in unforeseen areas
→ Avoid when possible, only implement when really needed
Summary

• Like any other major IT Implementation Program, Ariba Implementation is to be considered a business transformation

• Involvement and buy-in of key internal and external stakeholders is critical

• For successful implementation, certain technical specifics are to be carefully considered