



Intelligent Spend Management

# The Digital Transformation of **Procurement**

Source-to-Pay Digitalization for Integrated, End-to-End Procurement

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## The Push for **Digital Transformation** – And Why Most Initiatives Fail

2020 marks a new decade of rapid change and pervasive digital transformation. Every day, data volumes are exploding, resulting in more data created over the last few years than in the entire history of humankind. The question is, **how can your business survive and thrive in this disruptive environment?**

All businesses and functions – including procurement and supply chain – are affected by demands for digitalization, explosive data growth, and customer experience demands. To give their business the flexibility to thrive,

procurement and supply chain functions must embrace digital transformation and enable a state-of-the-art user experience.



**More data has been created** over the last few years than in the entire history of humankind.



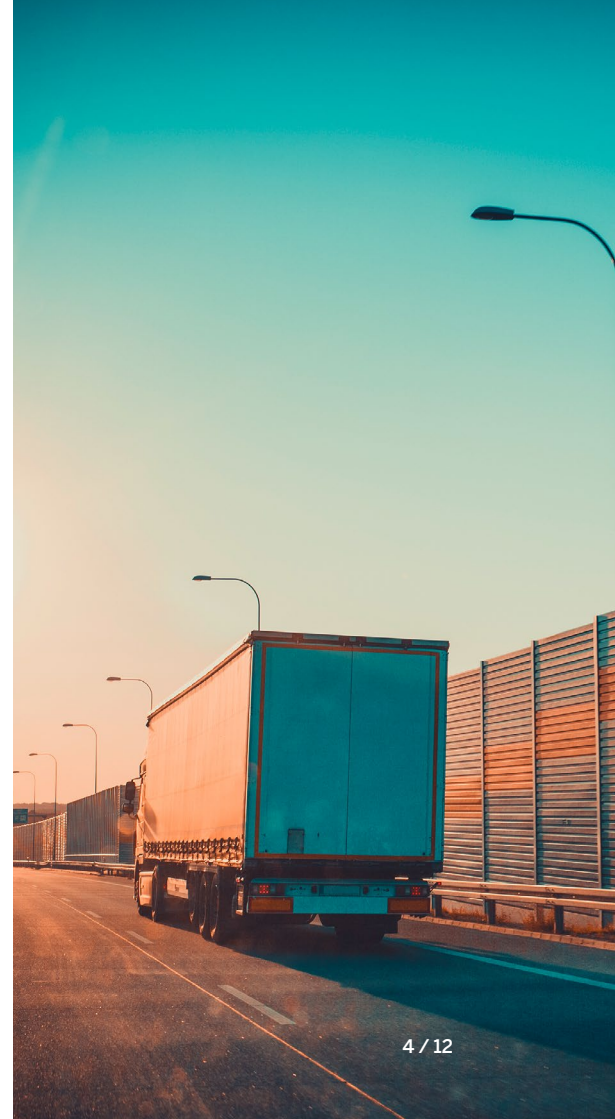
However, achieving desired outcomes from digitalization remains a huge challenge. Today, approximately 70% of digital transformation initiatives fail.<sup>1</sup> The reasons are varied, but based on our experience working with companies across industries, most failures are the result of:

- Inconsistent user experiences resulting from fragmented stacks and use of multiple platforms
- Disconnected and duplicate master data, as well as poor overall data quality
- Manual processes and low automation rates
- Costly and insufficient integration between front-end and back-end systems – even for key business processes such as source to pay

So, the question is, how can you address these issues – and give your business a solid win on the enterprise digital transformation front?

As explored in this brochure, employing the Intelligent Spend Management initiative – with the power of AI-enabled, preintegrated solutions that work together seamlessly – can digitally transform your source-to-procurement processes, resulting in the kinds of transformative business benefits you seek.

1. Behnam Tabrizi, Ed Lam, Kirk Girard, Vernon Irvin, "[Digital Transformation Is Not About Technology](#)," Harvard Business Review, March 2019.





# Become an **Intelligent Enterprise** – One Integrated Solution

Intelligent enterprises use innovative technologies to connect processes, automate tasks, and translate their growing volumes of data into action. This leads to scalability by efficiency and flexibility – enabling the enterprise to develop innovative processes and business models and focus more time and resources on strategic and higher-value activities. They can also use their data to anticipate needs, predict future opportunities, and deliver employee and customer experiences that keep them ahead of their competitors.

Adopting an intelligent enterprise strategy helps you deliver key outcomes for your business, across your entire enterprise.

## **AN INTELLIGENT ENTERPRISE IS AN INTEGRATED ENTERPRISE**

Integration is essential to achieving the benefits of an intelligent enterprise. But to overcome the ever-changing

challenges of digital transformation, it must be native and standard, fully leveraging the three dimensions of integration:

- Integrated data
- Integrated governance
- Integrated customer and user experiences

On the integration front, SAP has listened, and SAP has learned, culminating in an integration initiative that has become one of the biggest development programs at SAP. The result is planned support for fully integrated, end-to-end processes, integrated governance, and integrated user experiences that are delivered to SAP customers.

The resulting always-reliable integrations to the rest of the SAP® solutions portfolio are intended to enable better, faster return on investment (ROI) and deliver significant total cost of ownership (TCO) improvements compared to other integrations.



## Priority Integrations Planned for 2020

Over the next few months, our next-generation spend process integration initiative will start with **core source-to-pay subprocesses** and **integration with SAP S/4HANA® Cloud**. Over time, end-to-end software integrations are planned to include SAP S/4HANA, supply chain solutions from SAP, and other dimensions.

The spend process integrations planned for delivery in 2020, which will enable intelligent spend management and smooth, source-to-pay processing, include:

- Business process integrations of source-to-pay subprocesses: commerce automation, sourcing, network quote automation, guided buying, and contracting
- An improved overall user experience across all source-to-pay solutions and SAP S/4HANA, enabled by **user experience (UX) integrations and integrated governance** – The goal is to provide one consistent user experience across all applications and a single, consistent approach to identity and access management, automated provisioning, and embedded analytics.





# Digital Transformation at Work: **Source-to-Pay** Solutions

To better understand the benefits of these planned integrations for 2020, let's explore a few use cases in more detail.

## **CORE INTEGRATION BETWEEN SUBPROCESSES FOR THE SOURCE-TO-PAY PROCESS**

Using the SAP Ariba® Cloud Integration Gateway solution and prebuilt, aligned, business application programming interfaces (APIs), future integration will be able to simplify integration across source-to-pay SAP Ariba solutions and back-end SAP applications, as well as reduce your dependency on costly middleware.

SAP plans to initially use SAP Ariba Cloud Integration Gateway to integrate SAP S/4HANA Cloud with SAP Ariba Sourcing and SAP Ariba Contracts solutions, Ariba Network, and the guided buying capability. Looking beyond 2020, SAP plans to enable a single master-data

service as a central access layer so that you only need to maintain master-data changes once. This will help harmonize master data throughout all SAP applications in support of an end-to-end workflow.

Core integrations across source-to-pay SAP Ariba solutions and back-end SAP applications can deliver significant benefits. According to interviews and expert feedback from technology consulting teams for SAP Ariba solutions, you can potentially:

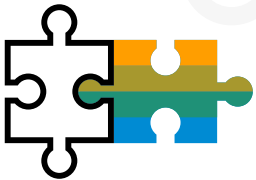
- Massively reduce the TCO of your source-to-pay business process integration into back-end SAP solutions (if compared to third-party process integrations) when using the latest standard integration technologies from SAP

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- Drastically lower or eliminate the need for costly custom programming and expensive maintenance of specific interfaces, usually required when integrating procurement solutions from companies other than SAP
- Significantly reduce integration project efforts, which enables faster time to market and reduces the need for costly middleware
- Bring down the ongoing, high maintenance costs after go-live that are usually related to third-party process integrations after every new update and release

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Core integration across  
source-to-pay SAP Ariba  
solutions and back-end  
**SAP applications can  
deliver significant benefits.**







## CONSISTENT SOURCE-TO-PAY USER EXPERIENCE ACROSS APPLICATIONS

When the user experience across SAP applications is not aligned, users have to manually switch between software products and interfaces and manage multiple local in-boxes within individual processes, which breaks the overall user experience. When SAP delivers its planned, best-in-class, consistent, and modern user experience across all business processes and products – including source-to-pay solutions – your users will gain:

- A harmonized look and feel and consistent terminology
- Common functions across applications such as guided user assistance
- Cross-application navigation, which allows users to switch across applications in a true, end-to-end flow and have one, single in-box where tasks across various SAP applications can be processed based on the user's role

In addition, the new look and feel will be based on the award-winning user interface from the SAP Fiori® user experience (UX), which will increase usability, eliminate confusion, provide consistency in practice, and help users execute end-to-end processes faster and effortlessly.

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## **SIMPLIFIED IDENTITY AND ACCESS MANAGEMENT AND PROVISIONING**

Currently, users have to log into various SAP applications individually to complete an end-to-end process. At the same time, this creates headaches for IT, which has to maintain users and relevant business roles in multiple systems across a heterogeneous landscape.

With the integrations and use of single sign-on (SSO), these issues will be fully addressed. Business users will be asked only once to log in, and then they will be able to execute all steps for sourcing, buying, and paying within a smooth, integrated workflow. At the same time, IT will be able to centrally administer user management and identity provisioning in a fast, simple way while ensuring compliance.

## **ALIGNED APIs FOR SMOOTH PARTNER INTEGRATION**

When APIs and domain models across SAP applications are not aligned, it's difficult for companies to enable APIs required for new and existing non-SAP solutions, such as tax software. Costly middleware drives up costs as well. Unaligned APIs and domain models also hinder partner development of solution extensions that run on top of SAP solutions.

SAP agreed on common, documented APIs (for payload, push-pull functionality, security, and more) to communicate messages and support end-to-end processes. These aligned APIs will be documented in SAP API Business Hub.

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## **APPLICATION LIFECYCLE MANAGEMENT FOR OUT-OF-THE-BOX PROVISIONING**

With automated provisioning planned to be released in 2020, SAP plans to deliver ready-to-use tenants, which will eliminate the need for complicated manual setups after you license software products. Automated product provisioning of all SAP products, including SAP Ariba, SAP Fieldglass®, and SAP Concur® solutions, will be initiated after you purchase the respective license or product.

In addition, SAP plans to deliver centralized integration monitoring, whereby business and IT users will gain access to smoothly integrated, independent cloud services that will help simplify monitoring and accelerate resolution of issues within end-to-end, source-to-pay workflows.

## **EMBEDDED, REAL-TIME ANALYTICS<sup>2</sup> ACROSS APPLICATIONS**

Currently, businesses have to purchase, deploy, and learn various analytics and reporting approaches to gain insights across applications. For example, on the spend management front, this means they need to use various analytical tools, limiting real-time insights into organizational spending and visibility of all enterprise spend data.

SAP intends to embed or integrate the SAP Analytics Cloud solution to support diverse analytics and reporting use cases across all source-to-pay solutions. This will result in ready analytic insights within individual, standard SAP applications – all with the power of SAP Analytics Cloud. The planned integrations will also benefit from prebuilt content for cross-application analytics.

2. Planned to be available shortly.



## Realizing the **Benefits**

The integrations planned for 2020 will allow you to consume **fully integrated** software for the source-to-pay process right away, delivering such benefits as:

- Complete visibility
- Improved compliance
- Rapid ROI
- Significantly reduced costs
- Massive TCO savings
- Elimination of many hidden cost drivers such as third-party integration and maintenance, middleware solution costs (including upgrade costs), and more
- A harmonized user experience and simpler change management enabled by a consistent user interface across all applications
- Improved visibility, collaboration, and KPI reporting across the entire source-to-pay process
- Most-assured and lowest-risk deployment, and rapid time to value due to truly native, ready integration

Benchmarking data and expert estimates show that the total impact of third-party integration of procurement front-end systems with ERP back-end systems can lead to additional, massive costs that add up year after year over five years if compared to SAP standard, native integration. This estimation does not even include future upgrade costs; rather, it is based on implementing and maintaining third-party procurement systems with one SAP ERP application running on a back-end system. This clearly shows that using cloud procurement and source-to-pay solutions from SAP can result in significant savings for your company.

### **LEARN MORE**

To learn more about our solutions, please contact your SAP account executive.

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