

White Paper

Overcoming the Limitations of an SAP based Inbound Supply Chain

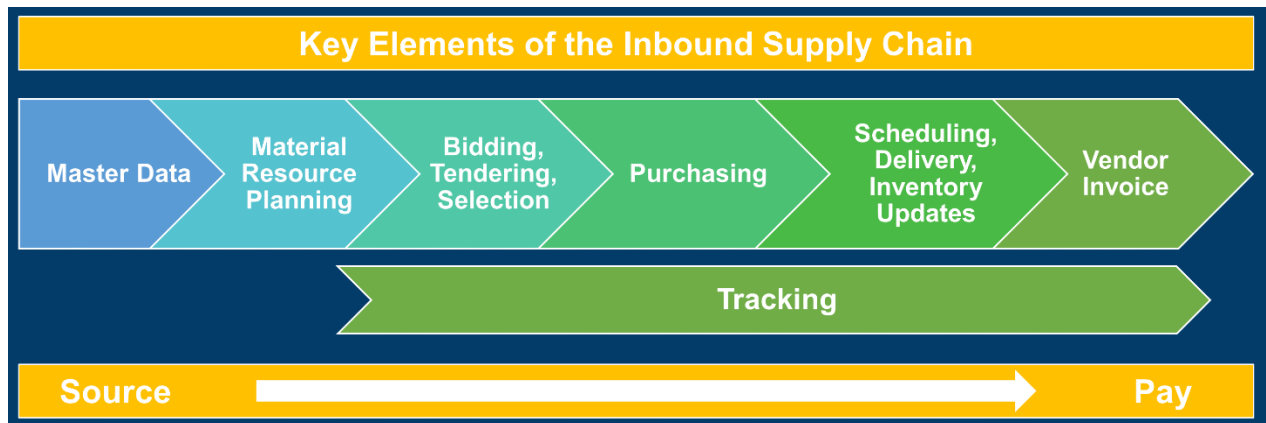


Author: John Roberts, Asaptek Ltd © 2023

1. Introduction

The inbound supply chain process is one of the primary business operations that must be optimised. It relies on operational efficiency and strong vendor relationships.

This white paper examines key elements of the process for companies using SAP (ECC and S/4HANA). The objective is to show that when attention is applied to these elements of the process, key performance indicators can be improved.



This paper specifically focuses on aspects of the supply chain that are within a company's control, excluding external factors such as global component availability and supply prices. It studies the importance of each aspect, the pitfalls that can occur, and ways of overcoming them.

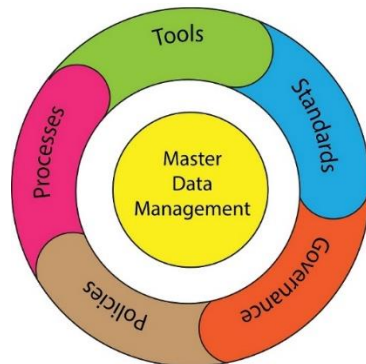
2. Key Elements of an Effective Supply Chain

2.1 Ensure complete and accurate master data

Complete and accurate SAP master data is critical to all business activities as numerous decisions rely on this information on a daily basis.

Master data provides key information about the **Items** that companies wish to purchase and the **Vendors** that supply them.

Bad data leads to poor decisions



It is imperative that the material and vendor master data is maintained and updated based on changes that occur over time.

Inaccurate, incomplete, and duplicated master data can have a significant impact on business performance in various ways, such as leading to poor purchasing decisions, reducing productivity, and causing manufacturing delays.

For example, an outdated vendor information record, can lead to purchases being made from the wrong suppliers, while incorrect delivery times could result in manufacturing delays.

Invalid material master data such as base unit of measure, classification, purchasing group or batch management also causes serious disruption and consumes valuable time when the effects are encountered.

Data entry should be easy

The entry of master data should be carefully managed because the large volume of information being entered and updated daily means that once mistakes are made, they quickly accumulate and become nearly impossible to identify and rectify using standard SAP functionality.

No need to compromise on data quality

There are applications available for companies that lack confidence in the quality of their master data. By applying business rules, these applications can identify invalid data and duplicates, as well as populate missing fields and views and extend to all relevant organisational levels. The bulk edit options make it feasible to correct master data efficiently. The level of data governance is also enhanced.

2.2 Simplify material resource planning

Material Resource Planning (MRP) is a complex yet critical activity. The effects of over or under stocking can be very costly to a business.

Make it easy to share information

Due to its non-intuitive nature, performing the material planning activity within standard SAP requires a high level of expertise. As a result, this task is typically performed by only a few individuals within an organisation.

SAP tends to present information in a tabular form rather than as a planning chart, making the process time-consuming and prone to errors. Moreover, the poor presentation hinders the sharing of results with key members of the material planning team for feedback.



Why risk duplicated effort

Many companies resort to performing their planning activities in Excel to address the issues with SAP's presentation. However, this approach means that SAP's powerful planning algorithms are not utilised, and the quantity calculations performed in Excel must be manually fed back into SAP. This manual process inherently adds risk to the overall process. Thus, using Excel is far from a perfect solution.

Apply the right tool for the job

To optimise the material planning phase of the inbound supply chain, it is highly advisable to introduce a fully integrated add-on application that offers powerful filtering and selection criteria, along with a planning chart representation of the information. These applications typically provide enhanced functionality compared to standard SAP, including visual indicators and warnings for batch expiry. Additionally, the ability to switch the plan's display to show cost and capacity is a highly beneficial feature.

The Return on Investment (ROI) justifies the means

Efficient stock management is critical to an effective supply chain process so any business experiencing non-optimum stock levels would be advised to seek an add-on application to assist this process.

2.3 Bidding and tendering needs managing



An effective bidding and tendering process is crucial for many purchase requirements, such as capital items and raw materials.

This process validates the price and quality of the items, as well as ensures that the vendor has sufficient capability to supply and support the required goods.

Failure to execute this process can result in significant costs.

Manual processes are error prone

Relying on a manual process for vendor selection in purchase requirements can lead to an imperfect situation, as it may involve selecting a vendor without conducting proper and thorough due diligence.

Introducing a computerised system to manage the bidding and tendering process helps businesses select vendors that are most suited to their requirements and significantly streamlines the activity. This system replaces an inefficient, tedious, and time-consuming manual process.

Apply the appropriate selection criteria automatically

By clearly defining all aspects of the requirement, both technical and commercial, businesses can have confidence that the deliverable will meet their needs. This approach often eliminates the need for excessive emails and multiple versions of the vendor proposal, streamlining the process of reaching an agreement.

Ranking technical and commercial criteria for manual or automatic evaluation and assigning different weights to each process enables a computerised system to recommend the vendor(s) and generate appropriate purchase orders. By defining milestone dates, such as for vendor queries and tender submission, the system ensures the timely completion of the process.

Expect a positive payback

For many companies implementing an application to computerise bidding and tendering will significantly reduce the administrative overhead, the risk of mistakes and the process duration whilst improving the cost effectiveness and ultimately business performance.

2.4 Seek to control warehouse materials in real-time

Accurate stock management plays a crucial role in the supply chain process. Users require swift access to stock quantities, locations, and values, and it is essential that this information remains accurate.

Minimising user confusion: Saving Time and Money

Undoubtedly, SAP warehouse management offers comprehensive functionality. However, its configuration and usability significantly impact its performance. New users of the proprietary handheld scanners require training to avoid making mistakes.

The user interface is not easily interpreted, resulting in time-consuming actions. Operators may be tempted to perform transactions outside of SAP, which can have serious consequences for areas of the business relying on this information.



Stock information should be reliable

Companies that do not utilise scanners and solely update stock movements from an SAP terminal face the risk of transcription errors and delays in updates, leading to unreliable stock information.

An anytime, anywhere approach is possible

For companies that encounter issues with their stock records, it is advisable to consider implementing an off-the-shelf add-on application. These applications offer several advantages, including a modern user experience and the use of portable devices such as mobile phones and tablets. Here are some of the specific advantages:

1. Stakeholders gain instant access to accurate stock information when needed, leading to improved **decision-making** processes
2. By allowing the attachment of digital photographs and signatures to the SAP movement record, the **data integrity and compliance** are enhanced
3. The intuitive **user experience** of these applications minimises training overhead and reduces the risk of users bypassing the system while enabling the device's camera to scan barcodes and QR codes, enhancing usability.
4. The need for specialised handheld devices is eliminated, resulting in significant **cost reduction**

The added value is quickly realised

By implementing an off-the-shelf add-on application, companies can effectively address stock record issues and leverage the associated advantages.

2.5 Purchase release needs to be prompt and error free

The proper review and timely release of purchase documents are vital components of the inbound supply chain. Poor implementation of these tasks can result in the purchase of incorrect items and the failure to meet delivery deadlines. The consequences are not only financial waste but also a negative effect on the outbound supply chain, especially when the procured items are essential manufacturing resources.

Inefficient tools and methods cause problems

Although this is a critical supply chain activity, many organisations still struggle with this aspect. In some cases, personnel may release documents without conducting any review, while in others, they may delay review and approval until reminded.



Insufficient background information provided by SAP's document release functionality often contributes to this issue.

To determine the business need, multiple other SAP transactions must be accessed, adding complexity to the process.

Consequently, reviewers often approve documents without conducting comprehensive background checks, relying on the assumption that someone else has already performed the necessary research.

Access difficulty exacerbates the problems

An additional challenge arises from the requirement to access an SAP terminal in order to release the document. Many personnel responsible for document release do not regularly use terminals in their daily roles, which further complicates the task and adds to the difficulties faced in the process.

Ensure easy access to all needed information in one place

A way of overcoming this access problem is to introduce an application that provides all the information in one place. Standard features of these applications include accessing the document attachments, the item's price history (regardless of the vendor), usage history, and current stock levels. They also provide information on the cost centre budget status and vendor history, including the number of purchase orders raised and any outstanding payments due.

The current approval status can also be viewed so that the next approver can be prompted to review the document. Some applications even allow users to interact with the document author, enabling them to request further clarity regarding the requirement.

Timely purchase document release saves money

These applications greatly assist the document release process and result in a more efficient and cost-effective process.

2.6 Empower users to track purchase status

The ease of managing and tracking the source-to-pay (S2P) status of purchasing transactions is crucial for any business.

A lack of control can have a detrimental impact on productivity, opportunity cost, and the outbound supply chain.



Why leave it to chance

There are several stages involved in this process, and each one can be the source of potential issues, including:

- Vendor selection and negotiation
- Requirements definition
- Document approval
- Delivery schedule
- Item price and quality
- Payment duration

The status should be easy to determine

Ensuring efficient management and oversight at each stage is vital for successful source-to-pay operations. However, tracking purchases can be time-consuming, diverting personnel from their primary roles and often requiring dedicated staff to handle the process and address inquiries.

Establishing the status of a purchase involves several activities:

- Selecting the appropriate SAP transaction, relying on the accuracy and timeliness of the information
- Contacting various members of the business to facilitate the progress of the process
- Communicating with the vendor to obtain additional information or updates

Busy people need simple tools and methods

Businesses experiencing challenges with the purchase tracking process are advised to consider implementing a solution that offers immediate access to the status of their purchase requirements through a mobile device. This solution would eliminate the need for personnel to log on to an SAP terminal or rely on contacting others for support.

Easy and quick to use applications are available that provide all the required current and background information from one option (replacing the need to access multiple SAP transactions). In addition, the author and vendor can be contacted directly from the application. Other benefits include KPI statistics such as the time taken to move through each stage of the S2P process and the historic delivery performance of the vendor.

Everyone benefits when users take ownership of purchase tracking

By implementing a purchase tracking application, businesses can minimise the possibility of purchasing issues and the associated administrative overhead. Additionally, it improves the efficiency of the purchase lifecycle, resulting in benefits for the inbound supply chain.

2.7 Establish open and timely communication with vendors

You are not their only customer

The quality of the client-vendor relationship is an important factor in determining the success of the inbound supply chain process. One of the key components of this is the communication and information sharing between the two parties.

Make them wish you were



Vendors often get frustrated with the speed at which the purchase process moves or the time it takes to get a response to a query.

Constant queries from the vendor also consumes a lot of time for their client so this is a source of frustration on both sides.

For many vendors the only means of communication is by email or phone and there is usually a delayed response as the client needs to perform a level of investigation to determine the answer.

Common questions raised by vendors include:

- When will the purchase order be raised?
- When is the most suitable time for delivery?
- Where would you like the delivery?
- Have you recorded the delivery of all items?
- Have you received our invoice?
- When will payment be made?

Make it possible for them to answer their own questions

The relationship between vendors and businesses can be significantly improved by providing vendors with an application that allows them to access purchase information and raise queries online. This not only reduces administrative overhead for both parties but also enhances the Source-to-Pay (S2P) lifecycle.

Happy suppliers impact the bottom line

There is a range of SAP applications available on the market that typically enable vendors to:

- View their account history
- Check the status of purchase order approvals
- Acknowledge purchase orders
- Schedule delivery time and location with their clients
- Track the status of delivery receipts
- Issue invoices to their clients
- Access scheduled payment data
- Download documents such as tax certifications (if applicable)
- Communicate with their clients

3. Summary

It is crucial for businesses to recognise the significance of optimising their inbound supply chain process; the right proactive steps can lead to operational excellence.

By implementing the strategies outlined in this white paper, businesses can overcome common challenges in the inbound supply chain and establish a more efficient and responsive system.

This will lead to reduced costs, improved vendor relationships, and enhanced performance in key areas such as price, quality, and delivery.

4. References

Access other white papers available from Asaptek



White Papers

Discussion papers demonstrating how the use of web/Fiori add-on applications enhances user productivity and enables companies to maximise their ROI from SAP

Asaptek

5. Glossary

Term	Definition
MRP	Material Resource Planning
ROI	Return on Investment
S2P	Source to Pay
SAP	The world's leading ERP software vendor

6. About

The Author	John Roberts is the Technical Director of Asaptek Ltd, with over 25 years of expertise assisting manufacturers worldwide in optimising their business processes, reducing costs, and ensuring regulatory compliance. Throughout his career, John has actively contributed to SAP project teams for leading multinational corporations, offering insights into common challenges they face.
Asaptek	Asaptek specialises in providing SAP web/Fiori source-to-pay (S2P) applications, designed to enhance productivity, and provide flexible access to critical business information. Trusted by companies worldwide, Asaptek is the preferred solution for optimising inbound supply chain management and achieving operational excellence. Launched in 2016, the product suite quickly gained popularity and is now used by hundreds of companies in North and South America, as well as Europe.
	

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