

Standard Bank of South Africa Automates and Standardizes Procurement

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SAP KC Development

IGNITING CHANGE

07

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AGENDA

Background : EBP Project

Implementation Design

Project Lessons Learnt

Future

Background

- Standard Bank Group is one of the big four full-service South African banks. The group operates in a range of banking and related financial services. The group has a wide representation which spans 18 African countries and 21 countries outside of Africa with an emerging markets focus. Standard Bank has 712 branches in South Africa and 239 in the rest of Africa.
- Standard Bank Group is listed on the JSE Limited, share code SBK and has a December year end.
- The Standard Bank Group is the largest South African banking group ranked by assets and earnings. The group had total assets of over R970 billion (approximately \$139 billion) at 31 December 2006 and employed more than 42 000 (including Liberty) people worldwide. Standard Bank's market capitalisation at 31 December 2006 was R129 billion (approximately \$18 billion).
- In 2004 Standard Bank Group sold an effective 10% interest in its South African banking operations to a broad-based grouping of black entities. The transaction enabled Standard Bank to meet the direct ownership requirements set out in the Financial Sector Charter.

Background

SAP Knowledge Center

- Development
- Solution Center
- Change Management

- SAP CCC that services and support
- SAP R/3 platform
- (Back-office products)

SAP KC Development **Spend Management**

Procure-to-pay process
that includes
Travel Management,
Services & Goods
SRM 3 (EBP 4)

Background SAP Implementation

2001

- Implemented SAP 4.6C R/3 FI, CO, MM, PM,RE,BPS, BCS,BW for SBSA Domestic
- Implemented ARIBA as e-Procurement application

2002/2003

- Rollout of SAP R/3 Namibia (core components)

2003/2004

- Rollout of SAP R/3 London (core components)
- SAP HR (ESS/MSS) implementation (SBSA)
- Replace ARIBA with SRM 3 (EBP 4)
- Upgrade to SAP R/3 4.7

2005/2006

- Additional rollouts of EBP
- Enhancements Phase 2 which included Contract Management
- Process enhancements
- Rollout of SAP R/3 Africa
- Implementation of PS
- Rollout of SAP HR London

2007

- Upgrading SRM 3 (EBP 4) to SRM 5 (SRM Server 5.5)
- Upgrading of BW to BI 7 and HR (4.6C) to ECC6
- Rollout of SAP R/3 Africa cont..
- Travel Management

Background SRM Implementation



Objectives of project:

- **Be the enabler for the Supply Chain Management Strategy;**
- **Address system issues with specific focus on approval flows and structural changes;**
- **Reengineer process failure in the Procurement Value Chain; and**
- **Ensure full integration with SAP R/3 Financials.**
- **Create an integrated platform to provide phased functionality rollouts with small team.**
- **Ensure HR Organisational structure integration is optimal**
- **Align with ERP strategy**

Background (EBP) SRM Implementation

Why replacing ARIBA?

- **Lack of Integration between ARIBA & SAP**
 - **Capturing of missing info on SAP R/3 PO's**
 - ◆ **Approve PO's again to verify info correct**
 - **Incorrect Accounts / Cost Centers**
 - **Manipulation of cost allocation**
 - **Vendor details different**
- **Limited Support available in South Africa**
- **Align with ERP strategy**

Project Timeline

2004

Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan

Planning

Blueprint

★
ESS/MSS Pilot

★
R/3 Upgrade

Realisation

Pilot Go Live
mid Nov 2004

Bank Go Live
mid Jan 2005

★
200 users

★
1300 users

200 users

1300 users

Domestic only

- Integration Project Manager
- Project Manager
- Technical Team Lead
- 2 Technical Resources
- 6 Application consultants
- 2 Change Management Consultants
- SAP Consultants used for Blueprint

Rollout Approach

Pilot Go Live:
November 2004

Business Units impacted:

- SCM
- FSS
- SET
- Group IT Solution Centre
- Group IT Operations Processing
- Central Services

What happened?

- Ariba requisitioning blocked
- Reporting and approvals activated
- Project Team to expedite approvals and PO's

SAP



The rest of the Business Units continued to run on Ariba.

SCM supported both systems

Ariba shutdown:
December 2004

SAP



- All Ariba requisitioning blocked
- Reporting and approvals activated
- Project Team expedited approvals and PO's

Ariba archived at the end of the 2 – 3 month period

Bank wide Go Live:
January 2005

SAP

Advantages of Rollout Approach

Advantages of Approach:

- **Pilot phase to ensure any business issues are corrected before big bang;**
- **Avoiding the historically high volume December purchasing;**
- **Decreases the project's dependency on ESS/MSS rollout success;**
- **Minimum impact on business in January (Dec year end);**
- **Start with clean data on financial year start; and**
- **Minimum impact on SAP R/3 4.7 upgrade.**

SRM Project

Guiding Principles:

- **One System to Procure all type of items**
- **SAP R/3 will be the source for:**
 - ◆ **GL Accounts & Cost Centers**
 - ◆ **Suppliers & Materials**

SAP HR structure not the same as the Cost Center Approval structure in EBP

Full process incorporated (P2P)

ESS/MSS licenses

Use small team to implement basic components with staggered functionality implementations

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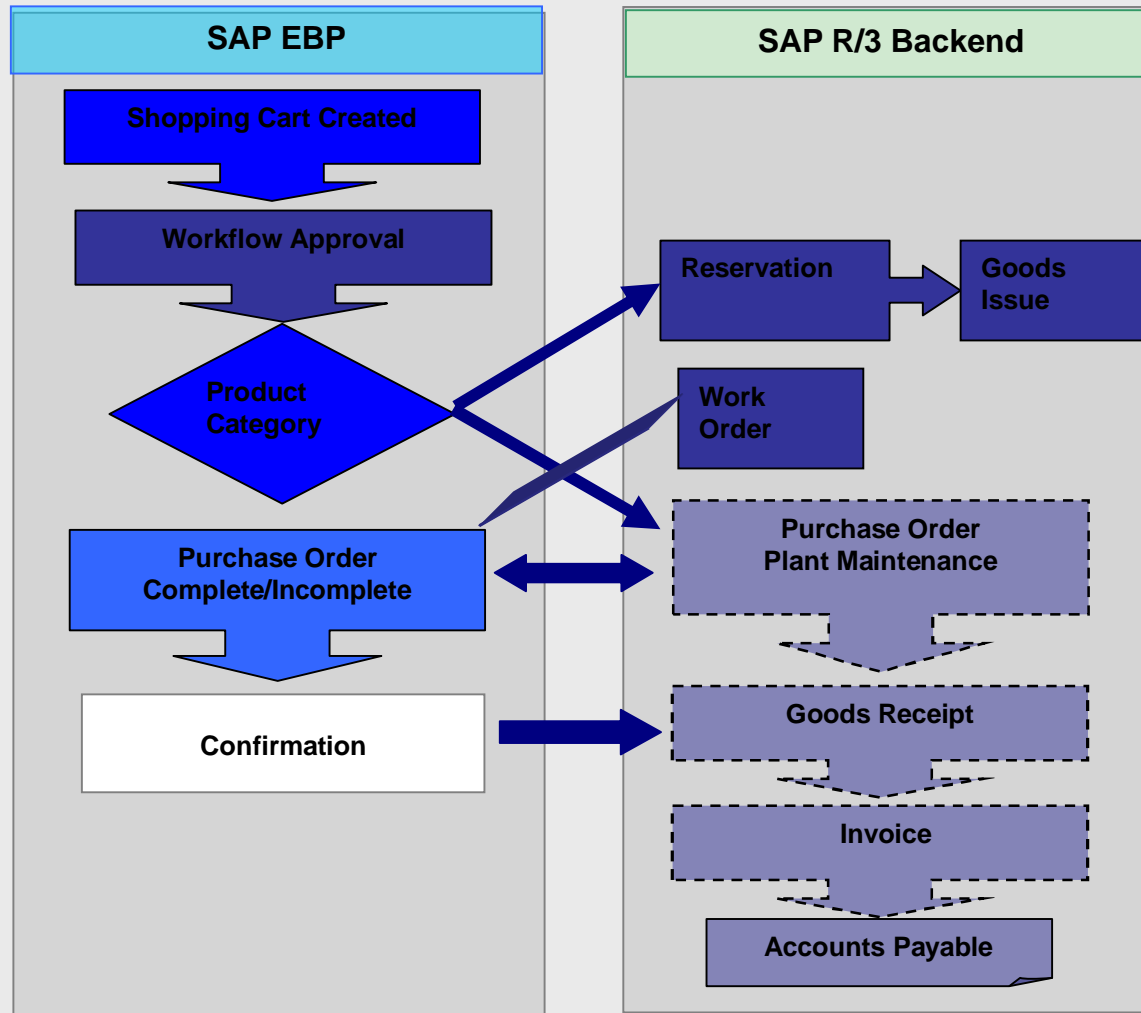
Background : EBP Project

Implementation Design

Project Lessons Learnt

Future

Implementation Scenario

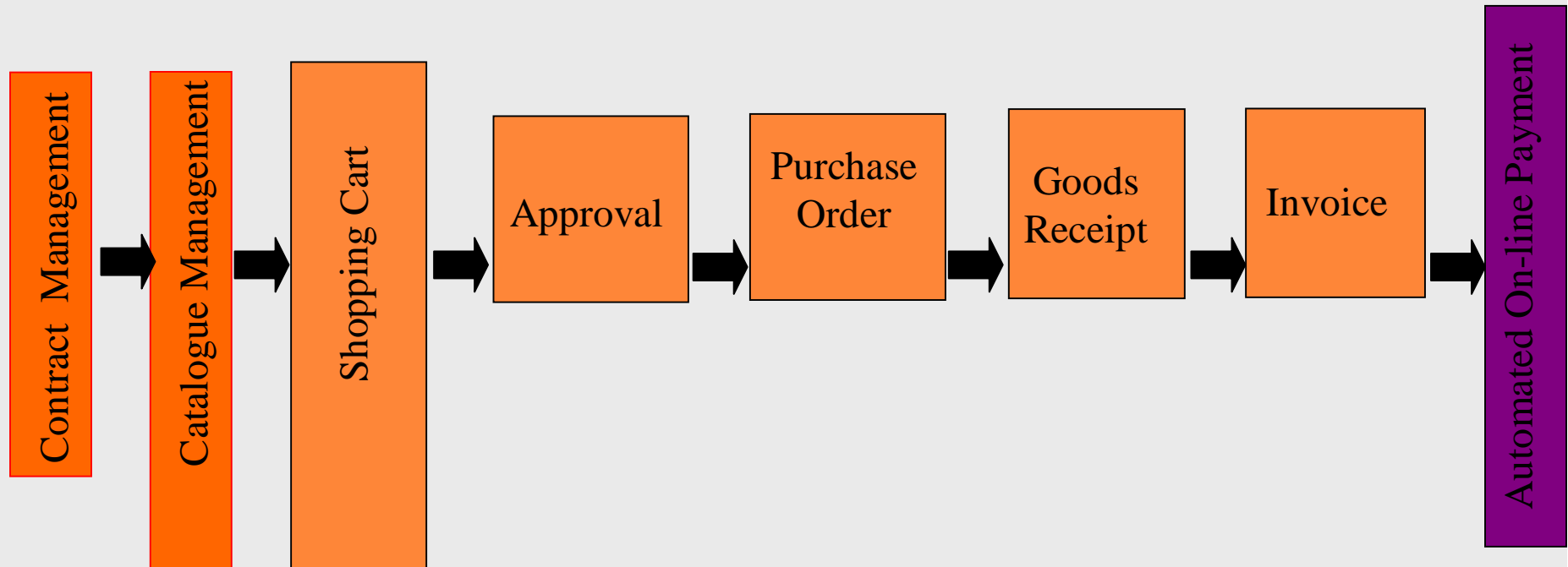


Hybrid of Classic & Classic Extended

- PO and GR process in EBP.
- Invoice Receipt in R/3.

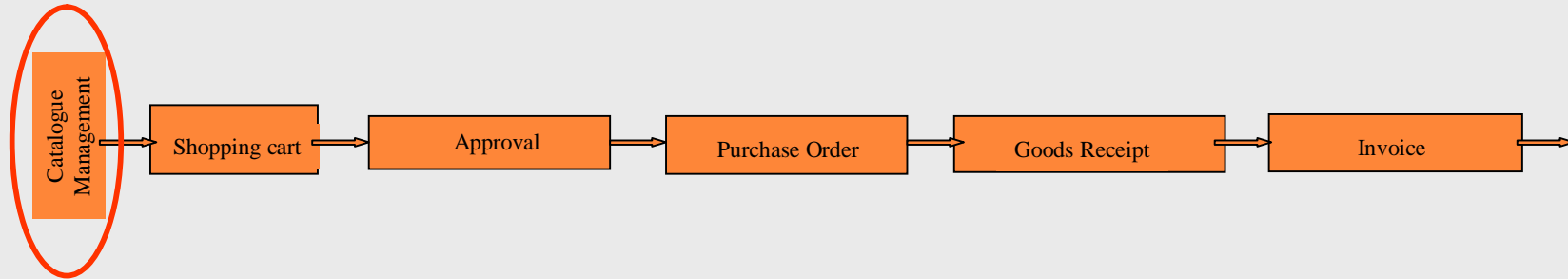
Procure to Pay Transactional Process

Supply Chain Management Strategy



Change Management

Catalogues



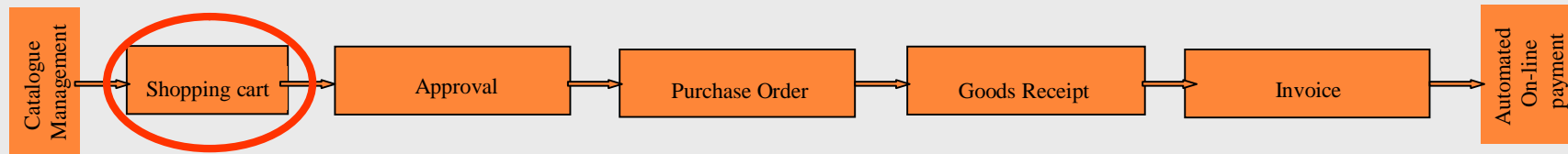
Catalogue requirements and rules:

- Catalogues are mainly loaded from Excel spreadsheets;
- The commodity teams are responsible for total management of catalogues including picture loading;
- BEE/FSC* spend to be controlled via Catalogue management;
- The use of custom catalogues; and
- Additional fields created on the catalogue to cater for Plant defaults, Account Assignment, Asset Class, Storage Locations

BEE – Black Empowerment Equity

FSC – Financial Sector Charter

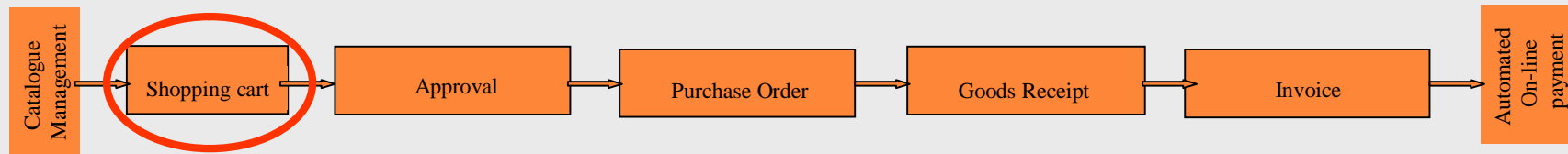
Shopping Carts



Requisitions requirements and rules:

- Shopping carts are created from catalogue/custom catalogue or by using the 'describe requirement' option;
- G/L accounts cannot be changed during the shopping cart creation;
- Plant and Storage Location values are defaulted from the catalogue;
- Free-text lines have a central plant set as the default;
- Assets
 - ♦ One action Asset creation in SAP R/3 – update Asset # on SC
 - Can create only 99 assets per line (R/3 restriction)
 - ♦ Bundling of Assets to correct item
 - ♦ AUC – Rollout of branches exposure of real cost
 - ♦ Deletion of Follow-on documents will delete Assets (conditional)

Shopping Carts



Requisitions requirements and rules:

- VAT codes are defaulted from R/3 based on business rules, i.e. company code, cost centre and G/L account;
- Other enhancements include:
 - ♦ Search Product Categories by G/L account
 - ♦ Print shopping cart at any stage by any user

Motivational note field made mandatory

Shopping Cart Statistics

Month	How many Carts?			How much (Rmillion)		
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Jan	1676	3395	4210	26	210	R 80
Feb	3593	4399	4607	43	184	R 124
Mar	3596	4038	5863	294	86	R 150
Apr	4146	3320	4459	71	201	R 460
May	4161	4419	6129	93	163	R 181
Jun	4146	4180	5438	122	183	R 274
Jul	4176	4209	4740	77	118	R126
Aug	4027	5204	6204	147	224	R203
Sep	4096	4973	4719	188	158	R202
Oct	3990	5561		126	213	
Nov	4363	5803		120	233	
Dec	3063	3979		118	254	
Grand Total	45033	53480	46369	R 1,425	R 2,226	R1, 816

Avg. of 3.35 lines per Cart

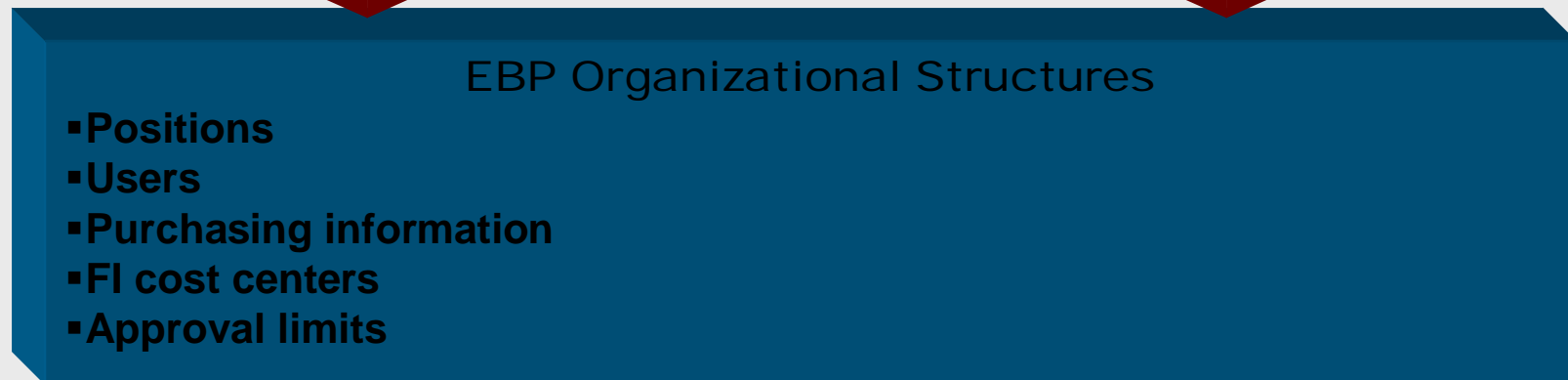
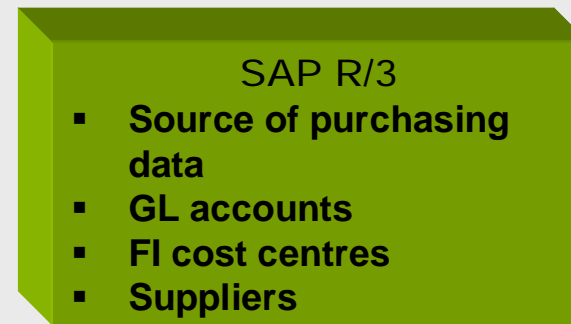
Avg. of R35,399 per Cart

Avg. of R10,546 per line

Shopping & Catalogue volumes

<i>Catalog</i>	<i>Volume</i>	<i>Value</i>
CASH	0.46%	0.41%
CIB	0.65%	0.37%
EXCO	1.30%	72.13%
PRINTING	0.35%	0.24%
GENERAL	27.49%	20.99%
SPECIAL	7.70%	4.35%
STATIONERY	62.05%	1.51%
	100.00%	100.00%

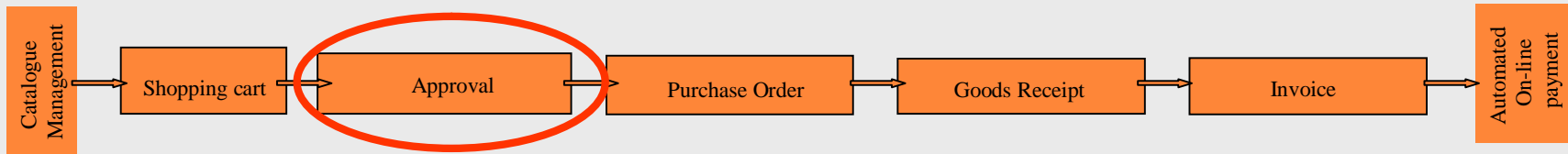
Information sources



- ❑ EBP will use the SAP HR system as the source of truth for organisational information.
- ❑ R/3 is the source of all Financial information e.g. GL accounts, cost centres etc.



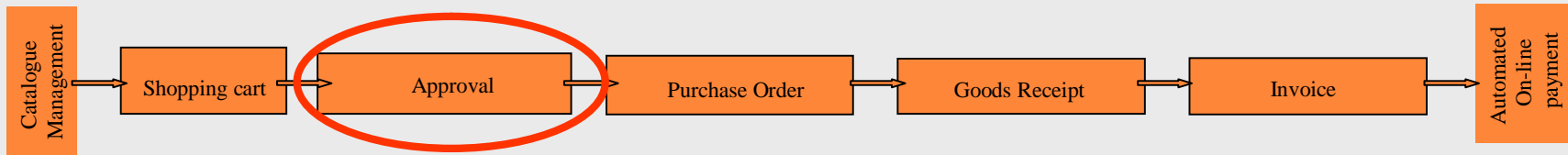
Approval flow



Approval Flow requirements and rules:

- EBP structure to determine approvers, i.e. determine by EBP position;
- Shopping carts are routed via e-mail to the next approver;
- Approval limits set by CAPEX, OPEX, Internal Orders and project systems (WBS, Network Act.)
- Adding of watchers and additional approvers is supported;
- Asset controller approval on asset items only;
- Contract Manager included for over R100k & no contract exist

Approval flow



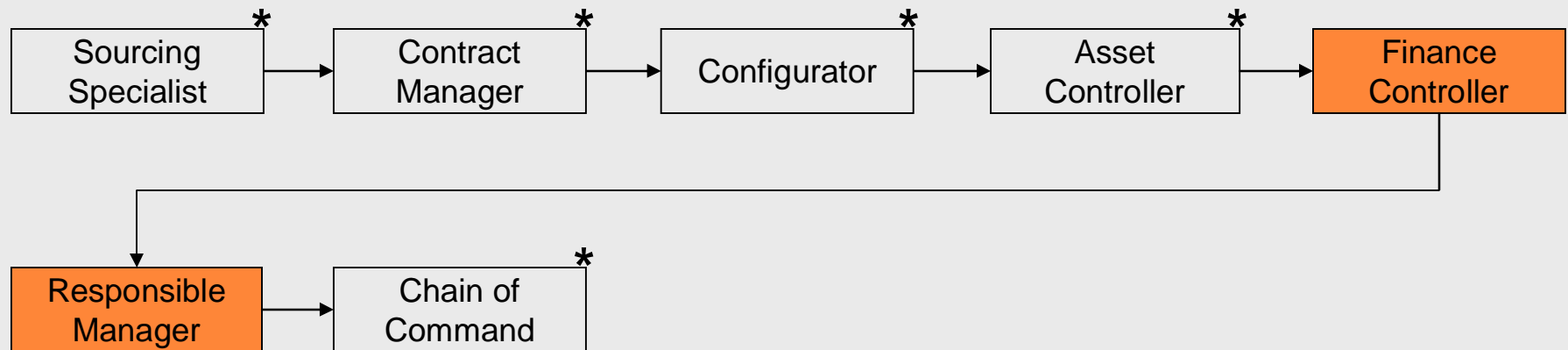
Approval Flow requirements and rules:

- Escalations – an e-mail notification is sent to the requester for shopping carts that are in the approval flow for 3 days and longer;
- The approval flow is deleted, in 30 days, if cart is not approved;
- Shopping carts are deleted, in 60 days, if not approved

Stationary Stock items under R5000 not approved

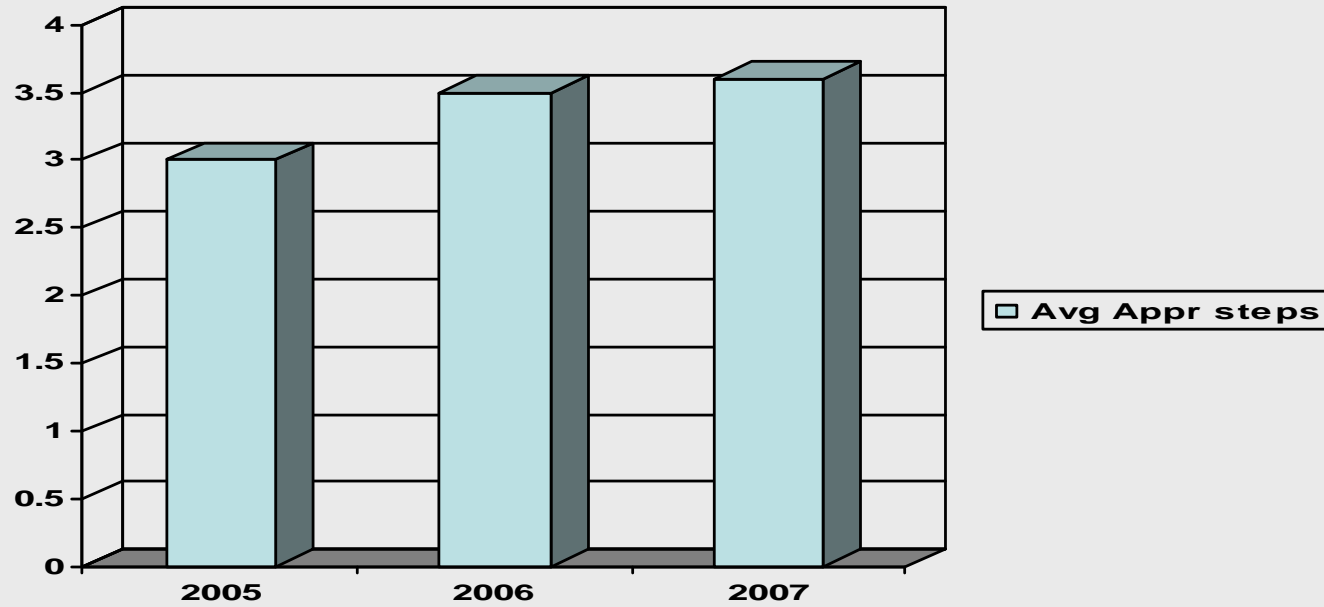
Reservations created in SAP R/3 (Goods Issue process)

Approval Sequence



*** Conditional Approvers**

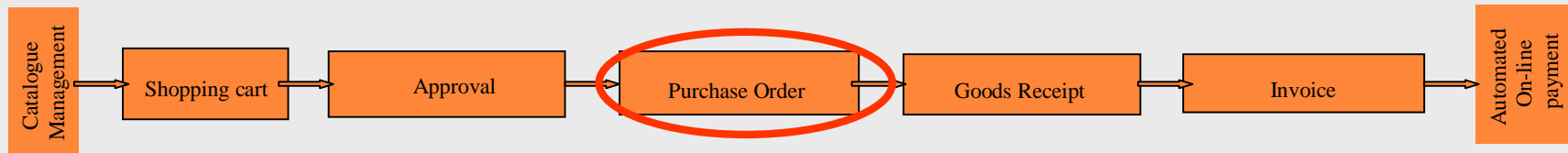
Shopping Cart Approvers



Total Approvers since 2005 : 1538

Total Requesters since 2005 : 827

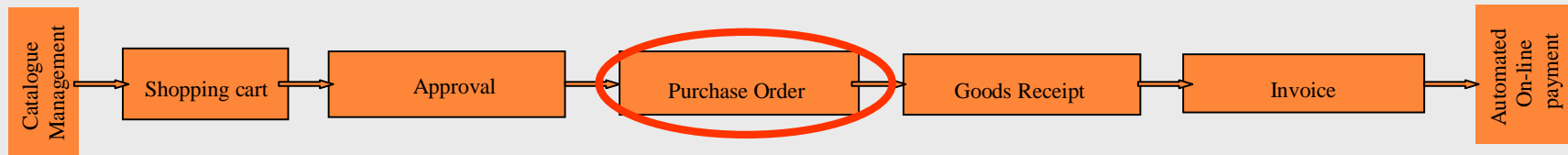
Purchase Order



Purchase Order requirements and rules:

- Purchase Order created on fully approved shopping cart;
- Preferred Supplier functionality enhanced;
- Supplier Master data enhanced to cater for PO e-mail/fax;
- Supplier confirmation received for strategic items;
- Changes on Purchase orders allowed according to defined rules - approval process repeated;

Purchase Order



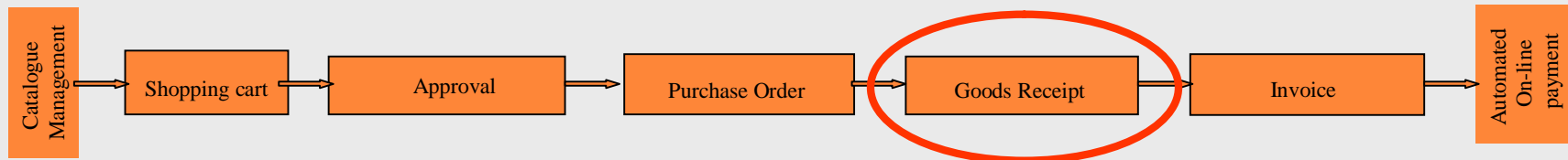
Purchase Order requirements and rules:

- MRP and PM requests create a Purchase Order directly in EBP which is routed for approval based on business rules; and
- We removed the authorization to create Purchase Orders in SAP R/3 for EBP users.
- Sourcing Specialist will only be involved in Free text items

Changes

- Only performed by Sourcing Specialists
- Approval workflow only on material values (Price, quantity etc)

Goods Receipt

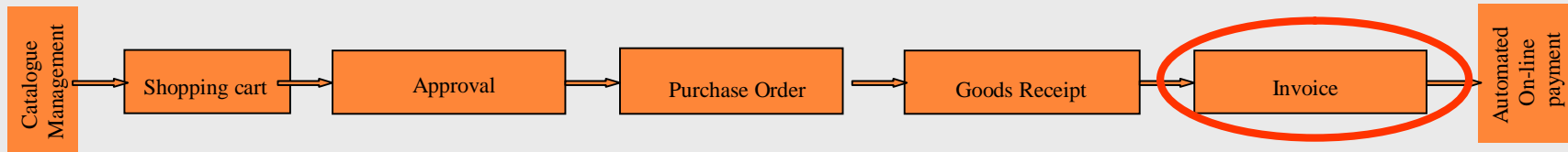


Goods Receipt requirements and rules:

- The goods receipt is processed in EBP;
- There are exceptions to certain products e.g. flowers. This is managed by product category
- Serial number capturing in EBP – updates to asset master record;
- Approval required for service confirmations

Return delivery will delete asset (conditional)

Invoice



Invoice requirements and rules:

- All paper invoices scanned at Financial Shared Services;
- Invoice quality checked and filed; and
- Scanned image used for capturing;
- Contains Sundry and Procurement Invoices
- In SAP R/3

Payment

- Electronic Payments (Avg. 99%)
- Cheques (Avg. 1%)

Fax / Email Remittance advices to Suppliers

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Background : EBP Project

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Future

Projects Lessons Learnt

Resource Allocation – fit to capability
Different implementation methodology
Learn from other EBP implementations
Know your product – first increase project team skills
Get technical architecture right
BU champs identification – get lower level BU reps into sessions
Contain Scope creeping
E-mails don't get read – users prefer face to face communication
The audience was not adequately prepared for e-learning
Go-live in January impacted training completion

Did not have a single point of contact for role mapping – caused problems in delivery
Integration with other SAP teams
A closer relationship with technical team
Avoid adopting approval flows from legacy systems
Bridge gaps between functional and technical specification earlier
Try to utilize your SAP resource more in the realization phase than in the Blueprint phase
SAP R/3 upgrade dependency caused some rework

Projects Lessons Learnt

Post Implementation Lessons learnt

- **Define system owners and data owners responsibilities**
- **Audi track available for workflow delays**
- **Stakeholder management with Supply Chain Management on a continuous basis required**
- **Workflow maintenance to be performed by BU representatives**
- **EBP(SRM) is not just another SAP module**
 - ◆ **Different skills and implementation methodology**
- **Support team positive approach**

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2008?

- **Upgraded SRM 5 (Server 5.5) (*)**
- **New functionality of Contract Management incorporated**
- **Tender Process be electronic**
- **Supplier confirmation of PO's**
- **Supplier portal**
- **Online Workflow maintenance performed by BU representatives**
- **Bypass Shopping cart workflow not to include Asset Controller (new items) and Configurator ----- will be included as part of the Catalog Management workflow**
- **Invoice Management System**
 - **ICR scanning for signatories (*)**
 - **OCR scanning for IDOC creation (*)**
- **PDA approvals (*)**
- **Consolidation of high volume invoices to single invoices (*)**
- **Electronic uploads of Invoice information (*)**
- **Procure-to-pay process to be aligned with best practises (*)**
- **Higher PO vs. Sundry Invoice ratio (*)**

* - WIP



***I cant change with the wind;
but I can adjust my sails.....***
Author unknown

Questions?



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