Services Procurement Optimization Using SAP Functionality

Terino McMullen – Southern California Edison
Learning Points

- Learn how to use SAP functionality to increase services contract compliance and spend under management
- Learn the key steps and considerations required to integrate External Services Management (MM-SRV) and Cross- Application Timesheet (CATS) for contingent worker services procurement
- Learn how to use the SAP Evaluated Receipt Settlement functionality to take advantage of early payment discounts
Who Are We?

- Southern California Edison (SCE) is one of the largest electric utilities in California, serving more than 14 million people in a 50,000 square-mile area of central, coastal and Southern California, excluding the City of Los Angeles and certain other cities.

- Based in Rosemead, California, the utility has been providing electric service in the region for more than 120 years. SCE's service territory includes more than 180 cities.
What We’ll Cover …

- SCE Overview
- Services Procurement at SCE
- Contingent Worker Services Optimization - Timesheet
- Key Considerations and Lessons Learned
- Wrap-up
SAP Implementation – Release Chart

**Release 1**
- Finance
- HR/Payroll
- EAM – Generation, Facilities, IT, Telecom
- Supply Chain
- Business Intelligence
- Portal

**Release 2**
- Learning Solutions
- Performance Management
- eRecruit
- Business Intelligence

**Release 3 and Beyond**
- EAM – Transmission and Distribution
- SRM
- SUS
- MDM
- Non Energy Billing
- CRM
- OpenText
- PPM

2008

2009

2010 - 2012
SAP Supply Chain Overview at SCE

Planning / Procurement / Receipt / Warehouse Mgmt / Open Text Integration

Users
- 380 Operations Support Roles
- 470 Clients/Role Average
- 12,000 End Users (Supply Chain)

Key Statistics
- $4 billion Purchase Order (PO) annual spend
- 95,000 POs processed annually
- 81,500 transactions processed in Supplier Portal
- 65% of POs processed automatically
- 185,000 Material Master items created and maintained

Modules / Systems:
- Enterprise Core Components (MM/IM/WM/EWM)
- Supplier Relationship Management
- Supplier Self Service
- C-Folders
- Master Data Management
- Open Text

Technology
- 204 Enhancement Objects
- 30 Interfaces
- 83 batch programs
- 77 custom forms / reports
- 8 workflows

Unique Drivers
- Collaboration with vendors for planning and work execution using Supplier Portal, c-folders and SRM
- Use of external/internal catalogs
- RF device utilization at warehouses
- Auto creation of Service entry Sheet based on Contingent worker time approval.
What We’ll Cover …

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- Services Procurement at SCE
- Contingent Worker Services Optimization - Timesheets
- Key Considerations and Lessons Learned
- Wrap-up
# Services Procurement Landscape at SCE – Types of Services

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
<th>Services Procurement Model-Functionality</th>
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<tbody>
<tr>
<td>Project Services</td>
<td>Line Construction Underground Construction Sub-station Construction IT Services</td>
<td>ECC Work Order PREQs-Purchase Orders SRM Shopping Carts Supplier Portal-SUS CATS-CATM</td>
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<td>Professional Services</td>
<td>Consulting, Supplemental staffing</td>
<td>ECC PREQs-Purchase Orders CATS-CATM</td>
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<td>Recurring Services</td>
<td>Building maintenance, vehicle/fleet maintenance</td>
<td>Supplier Portal – SUS ECC PREQs-Purchase Orders SRM Shopping Carts</td>
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<td>Small Dollar Services</td>
<td>Catering</td>
<td>Procurement Cards, Non-PO Invoices , Framework Orders</td>
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Services Procurement in SAP at SCE – The Journey

From “Survival” mode.....

- Poor spend visibility
- Limited use of master data
- Manual rate validation
- Paper-based invoicing and manual processing
- Out-of-the-system collaboration

......to Optimized

- Granular spend visibility
- Increased contract compliance
- Automated and integrated processing – electronic invoices
- System-based collaboration
Improving Services Procurement via SAP Tools

- Enabling effective services procurement – data, processes and automation
- Granular spend visibility
- Increased Contract compliance
- Automated and integrated processing – electronic invoices
- System-based collaboration

- Catalogs, Service Masters, BI reporting
- Supplier Portal-SUS, CATS-CATM, SRM, MDM, External Punch-out
- Evaluated Receipt Settlement – ERS, CATS-CATM, Supplier Portal-SUS
- Supplier Portal-SUS, SRM Technical Completion (Approval) Workflow
Services Procurement - ERP and SRM Integration

SAP ERP

- PM/PS
- PREQ
- Contract
- PO
- SES
- Invoice

SRM

- Sourcing Cockpit
- RFx
- Technical Completion Workflow
- MDM Catalog
What We’ll Cover …

- SCE Overview
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- Contingent Worker Services Optimization - Timesheets
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- Wrap-up
### Value Realization Opportunities

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<tr>
<th>Key Challenges</th>
<th>Enabler</th>
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<tr>
<td><strong>Delayed Project Costs Recording</strong></td>
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<td>- Costs recorded after supplier payment – 45-60 days after final work acceptance</td>
<td>CATS-CATM</td>
<td>Costs recording 7 business days after final work acceptance</td>
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<td>- Project time tracking system was not integrated with financial and procurement systems</td>
<td>GR Release triggers financial posting</td>
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<td><strong>Contract Compliance</strong></td>
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<td>- Negotiated contractual bill rates were being changed on an ad hoc basis</td>
<td>Service Masters</td>
<td>Increased bill rate compliance to 100%</td>
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<td>- Lack of standardized skills/service descriptions</td>
<td>Integrated service masters into outline agreements with bill rates</td>
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<td><strong>Operational Inefficiencies</strong></td>
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<td>- Very manual and labor-intensive and paper-based</td>
<td>Automated data transfer between SAP modules</td>
<td>Decommissioned three applications</td>
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<td>- No end-to-end process visibility</td>
<td>Electronic invoicing – Automated posting</td>
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<td>- Several non-integrated applications supported the process</td>
<td>System validation</td>
<td>Automated the SCE reconciliation work</td>
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Turning SAP Timesheets into Supplier Payments

- Contractor-Contingent Worker resources enter time in CATS
- CATM converts “approved” time entries into Service Entry Sheets
- ERS creates internal invoices

ERS = Evaluated Receipt Settlement
Key Process Steps

1. **Purchase Order Creation (1)**
   - Infotype 0315 created as part of Onboarding
   - HCM Master Data (2)
   - CATS Timekeeping (3)

2. **HCM Master Data (2)**
   - CATM Purchase Order

3. **CATS Timekeeping (3)**
   - Enhanced Service Entry Sheets created
   - Daily time entry by contractors

4. **CATM (4)**
   - Enhanced Service Entry Sheets created
   - Infotype 0315 created as part of Onboarding

5. **ERS (5)**
   - Electronic Invoicing
CATM PO Set Up - Limits
### CATM PO Set Up - Services

- **Standard PO 4500**
  - **Created by**: [Image]

**Header**

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Service Master Display – AC03

Activity number (service number) and short text description of role/skill.
CATM PO Set Up – Invoice (ERS enablement at the PO Level)
Key Process Steps

1. Purchase Order Creation (1)
2. Infotype 0315 created as part of Onboarding (2)
3. Daily time entry by contractors (3)
4. Enhanced Service Entry Sheets created (4)
5. Electronic Invoicing (5)
### Infotype 0315 Time Sheet Defaults

**Display Time Sheet Defaults**

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**Sender information**
- Controlling Area: 1000
- Sender Cost Center: F30
- Activity Type: 
- Business Process: 

**Supplementary information**
- Plant: 
- Master activity type: 

**External employee**
- Vendor: 
- Sending purch. order: 4500
- Sending PO item: 16
- Activity Number: 207037

IT Professional Services - CATM Process

SYSTEMS INTEG SENIOR
Key Process Steps

1. Purchase Order Creation
2. HCM Master Data
3. CATS Timekeeping
4. CATM
5. ERS

- Limits Purchase Order
- Internal invoices created
- Enhanced Service Entry Sheets created
- Daily time entry by contractors
- Infotype 0315 created as part of Onboarding
CATS to CATM

Contingent Worker View:

Time & Attendance
This section allows you to review your accrued time, and enter a request for time.
Time & Attendance Information contains assistance on completing your timesheet.

Workset Map iView

Timesheet Entry (New)
Your single stop to enter and release your timesheet info for approval.

Record Working Time
Enter your time and attendance details.

Release Working Time
Submit your timesheet for approval.

Display Timesheet Data
Detailed view of your time entries for a specified period.
CATS to CATM

Contingent Worker View:

1. Hours
2. PO & PO Line Item
3. Activity #
4. Cost Object
CATS to CATM

Manager View:
Key Process Steps

1. Purchase Order Creation
2. HCM Master Data
3. CATS Timekeeping
4. CATM
5. ERS

- CATM Purchase Order
- Electronic Invoicing
- Enhanced Service Entry Sheets created
- Daily time entry by contractors
- Infotype 0315 created as part of Onboarding
Bill rates and scope of services are defined at the PO level so CATM allows you to identify which Purchase Orders are included in a given run.

This selection parameter provides the time period for the run. It captures the actual work day, not the day that the time was entered.
Giving CATM a Make-over - ZFICATM

Out-of-the-box

Enhanced
## Display Service Entry Sheet

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Key Process Steps

1. Purchase Order Creation
2. Infotype 0315 created as part of Onboarding
3. CATS Timekeeping
4. Enhanced Service Entry Sheets created
5. ERS

- CATM Purchase Order
- Electronic Invoicing
- Daily time entry by contractors
- Infotype 0315 created as part of Onboarding
Evaluated Receipt Settlement (ERS)

- Evaluated Receipt Settlement is SAP FI functionality which eliminates the need to receive and process vendors’ invoices

- An internal invoice is created during the execution of an ERS run – based on approved/posted Service Entry Sheet

- ERS provides the following key benefits:
  - No blocked invoices
  - Elimination of labor-intensive and non-value added invoice processing steps – SCE and Supplier
  - Elimination of the GR/IR account clearing
  - Improved ability to capture cash discounts with suppliers
Vendor Master: The Following 3 boxes need to be selected to make an ERS Vendor (XK01)

1. ABC indicator
2. ModeOfTransp-Border
3. Office of entry

By VSR sequence number

ABC indicator
ModeOfTransp-Border
Office of entry
Sort criterion
PROACT control prof.
Revaluation allowed
Grant discount in kind
Relevant for price determ. (del.hierarchy)
Relevant for agency business

Returns vendor
Shipping Conditions 01
MRRL – The ERS Process Tcode

Several key fields are available for document selection during the ERS run; Recommendation: Purchasing Document
To assist suppliers with reconciling their accounts receivables and to increase process visibility, a custom report was developed. This custom report, ZCWPAYMENTS, follows each approved time sheet entry thru the CATM process and FI process, finally showing the check # and check issuance date.

Note: On the SCE side alone, ZCWPAYMENTS eliminated 160 hours per month from the reconciliation process.
## Reconciliation Report Data Elements

### 21 Data Elements provided

**Reconciliation and Process Control Tool**

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1.</td>
<td>Purchase Order #</td>
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<tr>
<td>2.</td>
<td>Outline Agreement #</td>
</tr>
<tr>
<td>3.</td>
<td>Vendor #</td>
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<tr>
<td>4.</td>
<td>Service Entry Sheet (SES)#</td>
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<tr>
<td>5.</td>
<td>SES Service Line</td>
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<td>6.</td>
<td>SES Posting Date</td>
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<tr>
<td>7.</td>
<td>Service/Activity Number</td>
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<tr>
<td>8.</td>
<td>Quantity</td>
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<tr>
<td>9.</td>
<td>Unit of Measure (AU, EA, HR)</td>
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<tr>
<td>10.</td>
<td>Price/Unit Price</td>
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<tr>
<td>11.</td>
<td>Total Gross Unit Price</td>
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<tr>
<td>12.</td>
<td>Short text description of Service/Skill</td>
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<tr>
<td>13.</td>
<td>Personnel Number</td>
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<tr>
<td>14.</td>
<td>Name of Contingent Worker</td>
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<tr>
<td>15.</td>
<td>Date of Service Performance</td>
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<tr>
<td>16.</td>
<td>Start Time</td>
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<td>17.</td>
<td>End Time</td>
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<td>18.</td>
<td>Cost Object</td>
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<td>19.</td>
<td>Check Issuance Date</td>
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<td>20.</td>
<td>Check Paid Indicator (Y/N)</td>
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<td>21.</td>
<td>Check Paid Date</td>
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</table>
What We’ll Cover …

- SCE Overview
- Services Overview at SCE
- Contingent Worker Services Optimization - Timesheets
- Key Considerations and Lessons Learned
- Wrap-up
## Key MM-SRV and CATM Implementation Considerations

<table>
<thead>
<tr>
<th>Key Considerations</th>
<th>Comments</th>
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<tbody>
<tr>
<td><strong>PO Model</strong></td>
<td>Limit the number of POs per supplier&lt;br&gt;Be mindful of the PO effective periods</td>
</tr>
<tr>
<td>1. Utilize Service Limits PO</td>
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<tr>
<td>2. Incorporate Activity Numbers and rates from Outline Agreement “46”</td>
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<tr>
<td>3. PO history build-up</td>
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<tr>
<td><strong>Integration between EAM and FI</strong></td>
<td>Keep the number of cost objects manageable</td>
</tr>
<tr>
<td>1. Number of time entries to review and approve</td>
<td></td>
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<tr>
<td>2. Approach with tracking and reporting in mind</td>
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<tr>
<td><strong>Supplier Engagement</strong></td>
<td>Key issue: reconciliation and exception processing</td>
</tr>
<tr>
<td>1. Early engagement</td>
<td></td>
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<tr>
<td>2. Feedback on alignment with internal business practices</td>
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<tr>
<td><strong>HCM Time Entry and Approval Processing</strong></td>
<td>Utilize frequent reporting to drive compliance of timely entry and approvals; use internal audits to help strengthen controls</td>
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<tr>
<td>1. Enable front-end HCM timesheet validation</td>
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<tr>
<td>2. Give careful thought to the “Approvers” model</td>
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</table>
### Key MM-SRV and CATM Implementation Considerations cont.

<table>
<thead>
<tr>
<th>Key Considerations</th>
<th>Comments</th>
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</table>
| **Service Masters** | 1. Multi-vendor environment  
2. Graduating role/skill levels = rates; less here reduces Activity Number/Service No. selection errors | Simple models work better; Reduce complexity |
| **CATM Processing** | 1. Base CATM T-code stops upon encountering an error – move this to a batch processing model  
2. Align frequency of runs with business needs – cost reporting and tracking | Minor modifications to SAP out-of-box CATM may be required |
| **SES Processing** | 1. Automate SES Approval based on CATS entry approval via batch job  
2. Limit batch job only to CATM POs | Reduces impact to line managers work load |
### Key MM-SRV and CATM Implementation Considerations cont.

<table>
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<th>Key Considerations</th>
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<tr>
<td><strong>ERS Processing</strong></td>
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<tr>
<td>1. Disable ERS at the PO-Level for non-CATM Purchase Orders</td>
<td>Understand the impact on your suppliers and accommodate their business requirements where appropriate</td>
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<td>2. Get input from the suppliers’ Accounts Receivables personnel</td>
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<tr>
<td>3. Understand the integration between ERS invoice generation and your payment runs</td>
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</table>
What We’ll Cover …

- SCE Overview
- Redefining the business process for External Services in the IT Business Unit
- Contingent Worker Services Optimization - Timesheets
- Key Considerations and Lessons Learned
- Wrap-up
Best Practices

- Standardized the data
  - Utilize service masters
  - Utilize catalogs
  - Utilize service lines
- Develop a clear and concise strategy for automation utilization
- Define an end-to-end business process
  - Standardize and simplify the process
  - Identify and understand all key integration points – internally and externally
- Develop and execute a solid change management program
  - Communicate the changes and the benefits – early and often
  - Identify and engage all key stakeholders early – including the suppliers
Key Learnings

- Integrate SAP ERP and SAP SRM for services optimization
- Leverage SAP External Services Management (MM-SRV) and Cross-Application Time Sheet (CATS) functionality to automate external resources time tracking
- Utilize Evaluated Receipt Settlement functionality to reduce costs and capture payment discounts
- Combine the above efforts with a well-planned and executed change management approach to achieve the following business process performance improvements/benefits:
  - Faster cost recordings
  - Process visibility
  - Increased control – standardized processes
Resources

- SAP Press Books
  - Martin Gillet, *Integrating CATS (SAP Press 2008)*
- External Services Management Guide (MM-SRV)
- Concept of ERS
- ERS Functionality in SAP MM
Key SCE Contacts

How to contact us:

Terino McMullen
terino.mcmullen@sce.com

Sapan Shenoy
sapan.shenoy@sce.com

Uday Davuluri
uday.davuluri@sce.com
Thank you for participating.

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