

# Purchasing Organizations/ Purchasing Groups

LOG-MM-001

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# LaGOV

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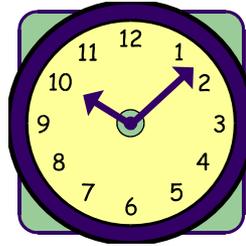


# Agenda

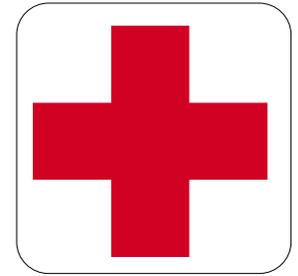
- Logistics, Ground Rules & Introduction
- Workshop Objectives
- Project Overview/Timeline
- Business Process Review
  - SAP terms glossary
  - Process improvement opportunities
  - SAP concepts & functionality
  - Leading practices
  - Purchasing Organization examples
  - Enterprise readiness challenges
- Action Items
- Questions



# Logistics



**Before we get started ...**





# Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Creativity, cooperation, and compromise





# Blueprint Objectives

- Review and discuss the current or As-Is business processes
  - Which helps to drive out the ***Business requirements***
  - As well as the ***integration points*** with other processes
- Define Master Data
  - Address key integration points
  - Support organizational requirements
  - Consistent and appropriate use of data fields
- Define Future or To-Be business processes based on:
  - Best Practices inherent in SAP
  - Intellectual capital from other SAP implementations
  - State business requirements



## Blueprint Objectives Continued

- Identify development requirements
  - Which could result in the need for a form, report, interface, conversion, enhancement, or workflow (FRICE-W)
- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements



# Work Session Objectives

- Define Purchasing Organizations
- Define Purchasing Groups



# Introduction

## ■ Roles

- **Process Analyst and Functional Consultant (IBM)** – lead and facilitate the discussions and drive design decisions
- **Documenter (State Employee)** – take detailed notes to support the formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
- **Team Members (LaGov)** – provide additional support for process discussions, address key integration touch points
- **Subject Matter Experts** – advise team members on the detailed business process and participate in the decisions required to design the future state business process

### ***Round the Room Introductions***

***Name***

***Position***

***Agency***



# Project Overview



## **Enterprise Resource Planning (ERP)**

Comprehensive suite of integrated products providing end-to-end support for statewide and agency-specific administrative business processes:

***This is a Strategic Business Initiative for Louisiana State Government using technology as a tool***

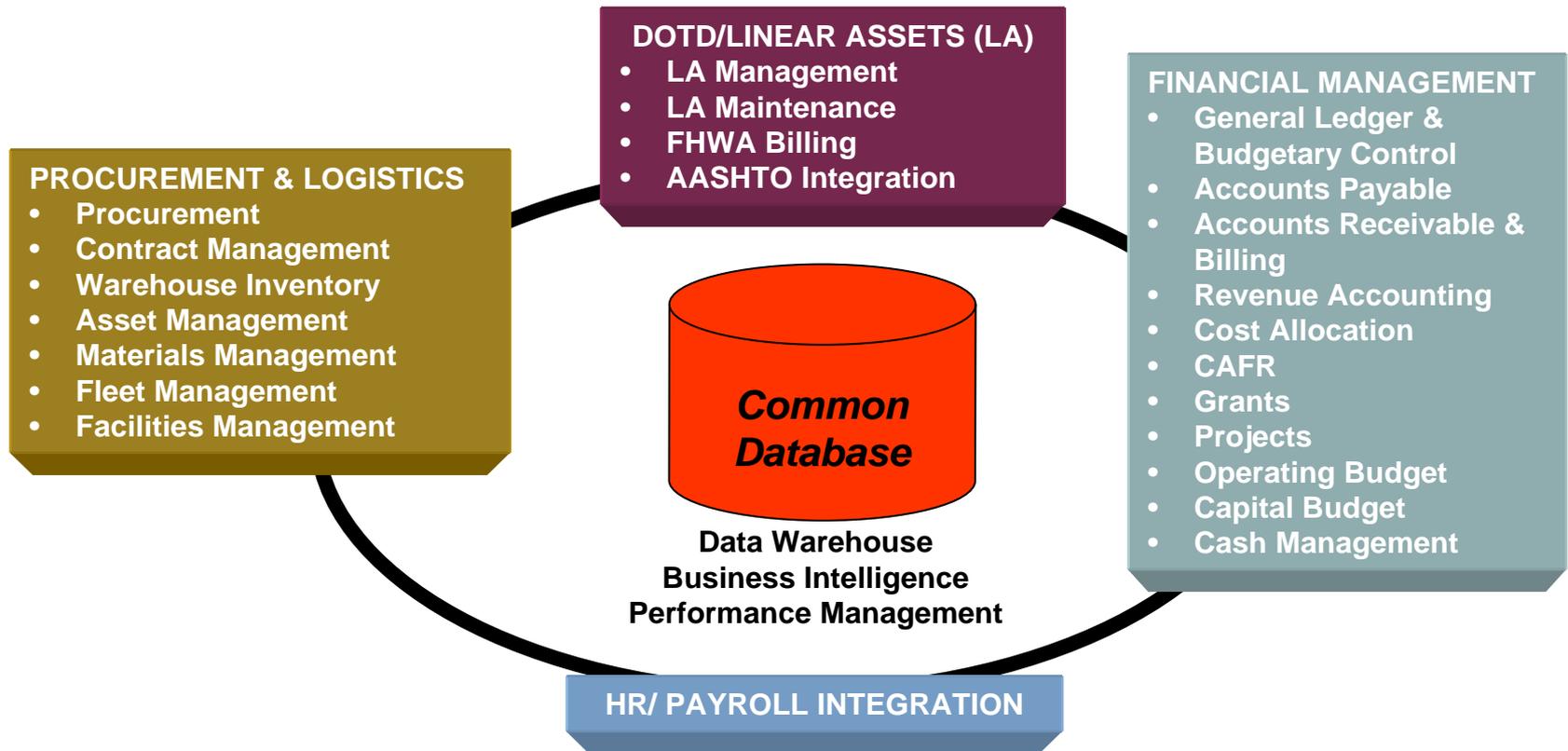
The existing SAP HR/Payroll System will be integrated with the SAP Financial System and AgileAssets:

**Providing a fully integrated ERP Solution to the State of Louisiana!**



# Project Scope

## SAP Integrated Business Components





# Project Scope

## Systems to be Replaced

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- **Budget Preparation**

- CORTS
- BDS
- LaPas
- BRASS
- EB/RB Interface

- **Financial**

- AFS
- Vendor Search

- **Assets**

- SLABS
- Protegé

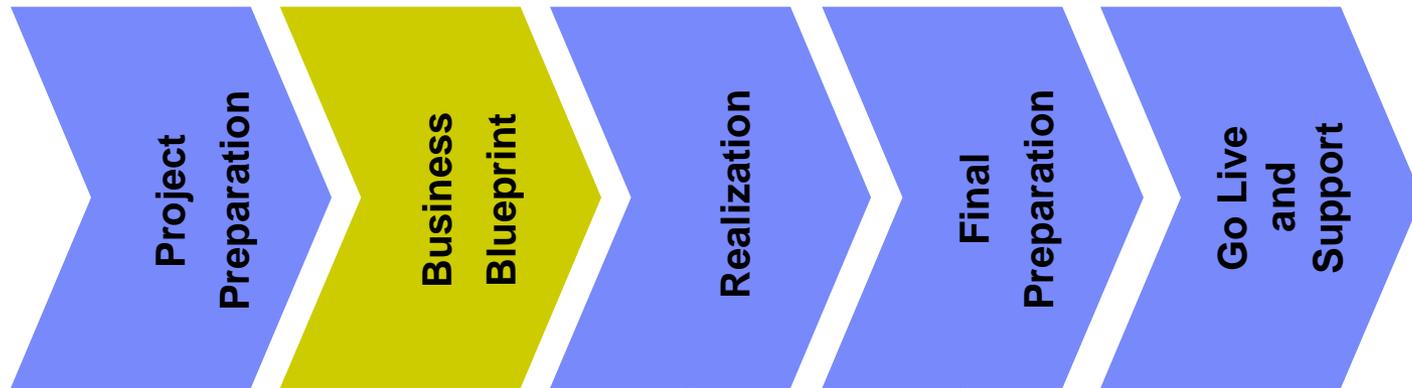
- **Procurement/Contracts**

- AGPS
- e-Cat
- Contract search
- CFMS
- LaPac



# Project Phases

## ■ Five Key Phases



- Strategy & Approach Defined
- Project Team Training

- Development & Unit Testing
- Integration Testing
- End-User Training Materials

- Go-Live Support
- Performance Tuning

- Business Process Definition
- Development Requirements

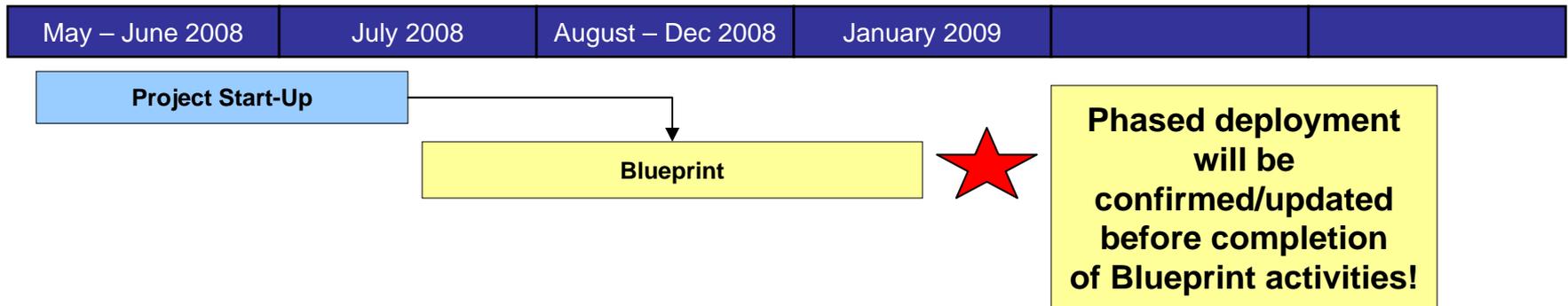
- User Acceptance
- Technical Testing
- End-User Training
- Conversion



# Tentative Project Timeline

- Tentative implementation dates are planned as follows:

Functionality	Tentative Implementation Date
Budget Prep	October 2009
DOTD	February 2010
Core Modules All Agencies	July 2010
Additional Modules	January 2011





# Agency Roles

## Agency Project Involvement

Usage/Requirements/Design

Organize Agency Implementation Effort

Be Trained on Agency Implementation Tasks

Plan Agency Implementation Effort

Conduct Agency Implementation Effort

- Usage Mapping/Issue Resolution
- Security Role Definition
- Conversion
- Interfaces
- Documentation/Policy/Procedures**
- Training Needs Assessment
- Cutover

Training

Testing

## Support From Central Team

Agency Support Group

Central Team SMEs/Blueprint Participants

Central Team Technical Staff

Information on New System Design

Information on COA, Budget, Purchasing, Payables and other centrally determined functions/classifications

Agency Implementation Guide

Agency Implementation Team Training

Forms and Templates to Assist Agency Implementation Effort

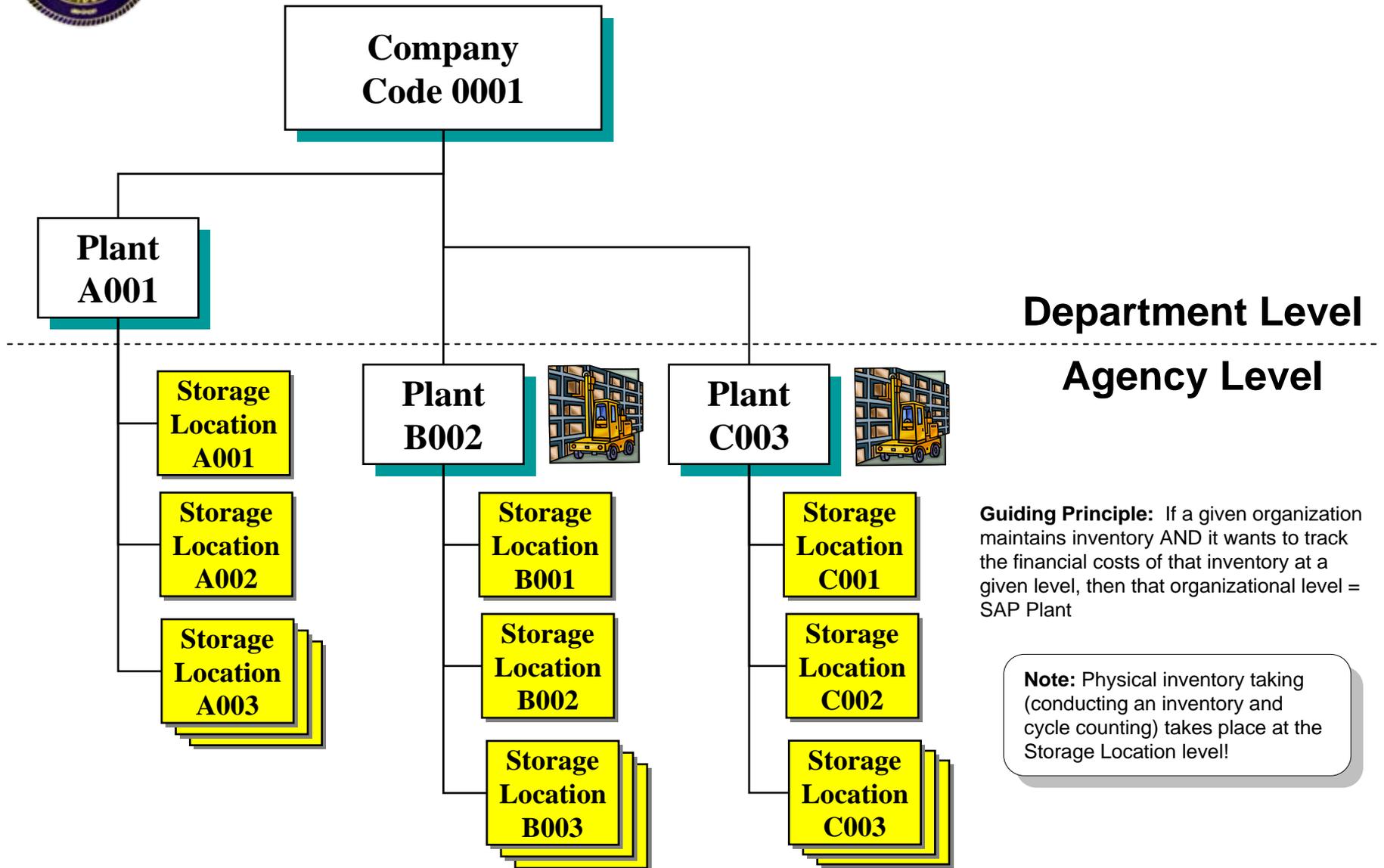


# SAP Glossary

- **Client** – A grouping or combination of legal, organizational, business and/or administrative units with a common purpose. Example : a corporate group.
- **Company Code** – This level represents an independent accounting unit within a client. Each company code has its own balance sheet and its own profit and loss statement. Example : a subsidiary company, member of a corporate group.
- **Plant** – Operational unit within a company code. Example : production facility, branch office.
- **Storage Location** – A division of plants into physical (or logical) locations where the functions are performed.
- **Purchasing Info Record** – A configured price record between a material master and a vendor within the purchasing organization
- **ECC** – ERP (Enterprise Resource Planning) Central Component
- **SRM** – Supplier Relations Management. SRM is a software tool provided by SAP that supports procurement from the creation of a shopping cart through the purchase order (PO) and provides the tools needed to collaborate with suppliers.



# “Going In” Logistics Structure



**Department Level**

**Agency Level**

**Guiding Principle:** If a given organization maintains inventory AND it wants to track the financial costs of that inventory at a given level, then that organizational level = SAP Plant

**Note:** Physical inventory taking (conducting an inventory and cycle counting) takes place at the Storage Location level!



# Types of Purchasing Organizations

## Purchasing at the Company Level

If a SAP customer does not have a single enterprise wide purchasing function, it may have a purchasing centralized to each company. This is appropriate when enterprise has companies located in various countries and one purchase organization is defined for one company in one country. In this scenario the purchasing organization is created and assigned to a company.



# Types of Purchasing Organizations Continued

## ■ Purchasing at the Plant Level

In an enterprise that has companies with autonomous plants the purchasing decisions may be made at the plant level. The SAP customers may decide that it would be a better decision to assign a purchasing organization at the plant level. This scenario has an advantage when the vendors are at local level and few vendors supply materials or services to more than one plant.



# Types of Purchasing Organizations Continued

- **Reference Purchasing Organization**

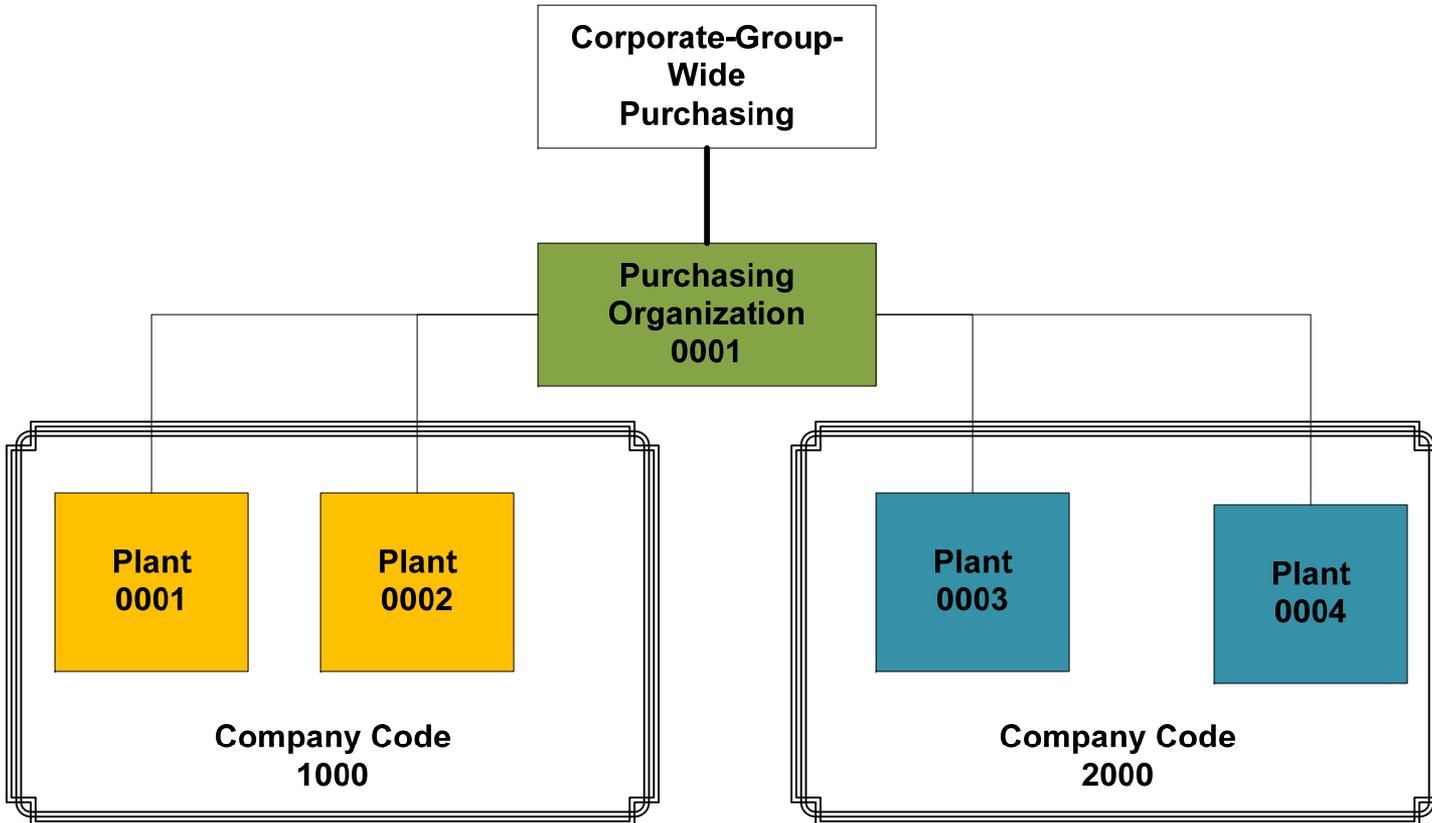
One purchasing organization can be defined as a reference purchasing organization. This is a purchasing organization that can be set up as a strategic purchasing department. In large companies, the strategic purchasing activity analyzes purchasing data and works to negotiate the best prices for materials or services from larger pool of vendors. This strategic purchasing department can obtain prices and special conditions that can be utilized by purchasing organizations across the enterprise. Often the reference purchasing organization is not assigned to any company code, as it is a function of the whole enterprise. A purchasing organization must be assigned to the reference purchase organization to have access to the information on the system.

Reference Purchase Organization is also known as Floating Purchase Organization.

Purchasing organization is four character field.



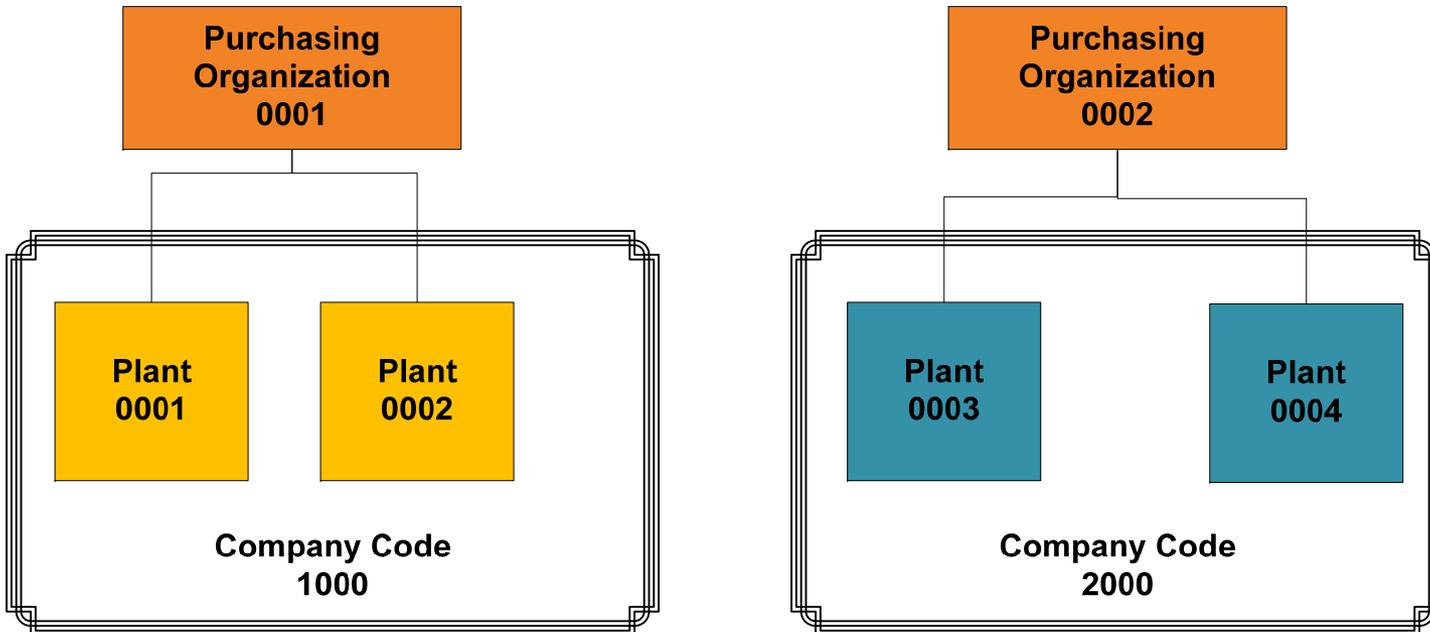
# Centralized Purchasing



**One Purchasing Organization is responsible for a number of different company codes**



## Company-Specific Purchasing



**One Purchasing Organization is responsible for one company codes**



## Distributed Purchasing

**Plant-Specific  
Purchasing**

**Purchasing  
Organization  
0001**

**Plant  
0001**

**One Purchasing Organization is  
responsible for one Plant**



# Purchasing Groups

The purchasing organization is further subdivided into purchasing groups (buyer groups), which are responsible for day-to-day buying activities. Customer has an opportunity to define its purchasing department below the purchasing organization. The purchasing groups can be defined as a person or a group of people dealing with a certain material(s) or service(s) purchased via the purchase organization.



# Purchasing Groups Continued

- A purchasing group can also act for several purchasing organizations. It is not assigned to any organizational data. It is assigned to a material in the material master in the purchasing view.
- A purchasing group is mainly used for :
  - Identifying the buyers as contact on the purchasing documents.
  - Inquiring and reporting / Assigning a buyer to a material / Workflow.
- A Purchasing Group is a three character alphanumeric field and is entered with description, telephone and fax number.



# SAP Concepts

- There is no option to create a Purchasing Org at Plant; it is an independent entity; it can be assigned to a Plant or a company code or to the both.
- It is not mandatory to assign Purchasing Organization (Floating PO Org) to the company code. To have company code specific purchasing, the purchasing organization needs to be assigned to the company code.
- In SAP, a plant must be assigned to one or more purchasing organizations.
- A purchasing organization can be divided into several purchasing groups that are responsible for different operational areas.



# SAP Concepts Continued

- Each purchasing organization has its own info records and conditions for pricing.
- Each purchasing organization has its own vendor master data.
- Each purchasing organization evaluates its own vendors using Vendor Evaluation.
- Vendors defined at purchasing organization level.



# SAP Concepts Continued

- Authorizations for processing purchasing transactions can be assigned to each purchasing organization.
- All items of an external purchasing document, that is, request for quotation, purchase order, contract, or scheduling agreement, belong to a purchasing organization.
- The purchasing organization is the highest level of aggregation (after the organizational unit "client") for purchasing statistics.
- **Two typical configurations:**
  - One purchasing organization for each company
  - One purchasing organization for each plant
- **Purchasing group:**
  - Corresponds to individual purchasers or group of purchasers
  - A purchasing organization contains one or several purchasing groups.



# Questions?

