

PROCUREMENT LEADERS

APAC Series

Integrating procurement
technology across
diverse ecosystems

IN ASSOCIATION WITH

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Joined-up thinking

Numerous options are available to help procurement functions successfully integrate procurement tools across heterogeneous ecosystems

EXECUTIVE SUMMARY

- In the recent past, most organisations' procurement technology comprised large-scale enterprise resource planning systems and functions had a relatively poor choice of solutions to support many different procurement activities effectively. Today, the technology available to CPOs is developing at an unprecedented rate, with many small vendors offering function-specific solutions.
- This expanded range of options is encouraging many procurement functions to move to portfolios of best-of-breed solutions sourced from multiple vendors.
- Although best-of-breed can deliver compelling functionality benefits, adopting a diverse range of on-premise and cloud-hosted solutions creates integration complexity. Connecting systems owned and hosted by parties outside the enterprise, in particular, is increasingly recognised as a significant challenge.
- Several options are available to help CPOs overcome this and take full advantage of best-of-breed technology. Rather than building additional interfaces, many solutions are being built to integrate new tools with existing platforms through application programming interfaces.
- Specialist cloud service providers offering unified integration platforms allow companies to focus on maximising the business value of their data while leaving the service provider to guarantee connectivity between procurement and wider business applications.

notes, are moving away from a single-suite to a best-of-breed approach.

Two factors are driving this trend. First, a need for improved integration between providers and, second, disillusionment with single-suite solutions among procurement professionals, who doubt these systems are nimble enough to adapt to the function's rapidly changing needs.

ENABLING EFFECTIVE PROCUREMENT

The report notes that this pivot to best-of-breed is creating greatly enhanced choice while helping to improve procurement's commercial and strategic effectiveness. "The procurement technology landscape has evolved rapidly in recent years; many options are now available to support a broad spectrum of activities. With the market projected to expand at a compound annual growth rate of 10% by 2025, functions can expect further disruption and greater choice in future, leading to better solutions and faster transformations."

Alex Johnson, principal analyst at Procurement Leaders, says: "We've been tracking CPO objectives annually as part of our CPO planning guides, and we can see that procurement is moving to best-of-breed solutions from a diverse range of providers as the function seeks to stake a claim to being a leading driver in addressing pressing business issues such as enterprise risk and sustainability."

George Harb, regional VP of APAC at OpenText, a leading enterprise information management vendor that provides a cloud integration platform that securely connects data with people, systems and things across organisations, agrees that enterprises are increasing their best-of-breed deployments. He says this trend is being driven by businesses needing to address issues such as supplier compliance, data transparency and risk management. Harb also identifies the integration of procurement systems with

The options now available to CPOs to optimise core and advanced procurement functions are expanding at an unprecedented rate. Many new vendors – particularly startups – are stepping forward to disrupt the procurement technology landscape. With the market developing rapidly, more options than ever are available to help procurement chiefs optimise their processes and manage suppliers.

Procurement Leaders' *Procurement technology landscape* report, published in January 2021, notes that portfolios of best-of-breed solutions are coming to the fore as procurement organisations move to deliver the next stage of their digital transformation. Many teams, the study

10.2%

Forecast compound annual growth of the procurement technology market in the period to 2025

Source: Research and Markets

procure to pay (P2P) solutions as a further driver of this trend but notes that this is being undertaken in a pragmatic, step-by-step manner.

“Solutions are being selected to address CPOs’ key businesses concerns, including sustainability, as well as regulatory and ethical considerations. When considering best-of-breed, enterprises need to assess whether best-of-breed solutions can deliver what they need without destroying or blowing up their current technology installation. Enterprise resource planning (ERP) is a big investment, it is not just an investment in funds, it is also an investment in building connectors and integrating with other applications,” Harb says.

“ERP is not going away. Businesses are not going to replace a single ERP platform with seven or eight different best-of-breed applications; they don’t have the resources to manage that. What we see in the market is the core ERP platform and the ecosystem around it being used to support a number of bolt-on applications. Some of these may be best-of-breed third-party bolt-ons and some will come from the ERP provider.”

According to Jonathan Webb, Procurement Leaders’ head of advisory, there has been a widespread shift among CPOs from the previously received wisdom that single-



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suite procurement solutions offer the most trouble-free option.

“There is now a lot of experience of implementing new add-ons for ERP systems that have been developed by the original vendor but have, in many cases, taken years to get working and involved a huge amount of change management. Many organisations going through this have been disappointed when they find that the integration between the modules is much more troublesome than they previously thought,” explains Webb.

“We have plenty of examples from our membership of CPOs that have been trying to, for example, get a contract system to talk to a spend analysis system. Even though the applications are all from their installed ERP vendors, many have found these deployments remarkably difficult. So, the chief benefit – supposed ease of integration – of going for these typically expensive modules from the incumbent ERP vendor doesn’t seem to have materialised. This has led to a huge growth in companies specifying third-party best-of-breed procurement solutions.”

INTEGRATION ISSUES

This pivot to best-of-breed necessitates functions integrate the component tools within a diverse ecosystem of internal and external systems, however, and can create significant integration issues. Connecting systems owned and hosted by parties outside the enterprise, in particular, is increasingly recognised as a significant challenge for existing integration tools and processes.

Procurement Leaders’ Procurement technology landscape report noted that integration is key to any best-of-breed digitalisation strategy: “Teams that use multiple solution providers must develop a robust integration strategy to ensure a coherent end-to-end purchasing and vendor management journey. Fully integrated systems must seamlessly and securely connect all inter-related tools, platforms and solutions, making it easier to update to the latest versions, centralise user management and automate access. Integration can also offer added security features such as single-sign-on, bot detection, endpoint protection, or privileged access management.”

Harb points out that in the recent past, organisations could purchase best-of- ➔

THE BENEFITS BEST-OF-BREED BRINGS

- **Variable integration:** Businesses can mix and match specialised services from multiple vendors. This affords organisations greater control of the integration between those solutions to best fit the team’s requirements. This needs to be managed properly to be effective, however.
- **Modularity:** The ability to add and remove components or particular functionality as and when the team’s requirements change.
- **Flexibility:** Ease of finding a suitable solution, without committing to an expensive suite of products for the long term.
- **Independence:** Updates and building blocks may be rolled out without affecting other systems because of more agile, independent contracts.
- **Agility:** Because the function of a system is geared to a specific purpose, it is easier to update or respond to market changes quickly. As such, they’re also more likely to drive innovation.
- **Rapid return on investment:** Quicker to deploy and with an intuitive design, easier for end users to adopt.
- **Specialisation:** Specialised functions include more options and solutions, as well as provide process-specific knowledge.



Organisations can integrate best-of-breed by leveraging integration solutions to maximise their investments in technology through deeper adoption and, importantly, by sharing the data created by platforms with other systems

George Harb, OpenText

breed tools to meet specific business needs but they were not easily integrated into other systems: “Today, the landscape has changed. Organisations can integrate best-of-breed by leveraging integration solutions to maximise their investments in technology through deeper adoption and, importantly, by sharing the data created by platforms with other systems,” he says.

He adds that the increased availability of application programming Interfaces (APIs), which act as an intermediary and allow different applications to communicate, has enabled any-to-any connectivity across best-of-breed procurement solutions and ERP suites. The importance of APIs in this context was highlighted by Procurement Leaders’ report: “Rather than building additional interfaces, many solutions are being built to integrate with existing platforms through APIs. These simplify the user experience and reduce the number of steps required to undertake the activity.”

Using APIs, Harb advises that CPOs should look for platforms and applications that can integrate into existing ERP platforms and deliver value in specific areas. They should, he argues, be focused on delivering relevant data to and enabling self-service for users to leverage new ways of doing business and the data that comes with it.

Mark Morley, OpenText’s director of product marketing, echoes these sentiments. He says cloud computing is accelerating the migration to best-of-breed environments: “The main trend that we’re seeing is courses related to the cloud. If companies want to move to a heterogeneous environment, they’re not going to achieve that by moving

to another on-premise solution. If they want the true integration of remote data silos – wherever they may be – then moving to the cloud is their only option. It is the only way to be able to get the required level of holistic heterogeneous integration across those business operations.”

DELIVERING DIGITALISATION AT PACE

He adds that Covid-19 has prompted CPOs to accelerate the digital transformation projects so they can build more resilience into their business operations. “They want to ensure they have got the flexibility, agility and scalability in their platforms to be able to manage whatever applications they need to integrate in the future. The only way to get that flexibility is moving to the cloud.”

Morley went on to cite the example of one OpenText customer, a European automotive company that has multiple manufacturing plants to support its cars and vehicle production. Each plant has an on-premise procurement software platform installed. Keeping track of everything from both an inventory management and visibility perspective was proving a significant headache across the multiple discrete systems, Morley explains. However, adopting a single cloud environment that overlays all plants has given the company visibility and provided it with insights that enable the business to optimise its supply chain processes.

Procurement Leaders’ Webb adds that the recent widespread adoption of cloud-based services and applications has fuelled migrations to best-of-breed. ➔

SAP ‘BRICK WALL’ APPEARS ON THE HORIZON

SAP announced in February 2020 it would end mainstream maintenance for core applications of its SAP Business Suite 7 software at the end of 2027, a two-year extension of on the previously announced retirement date of 2025. SAP confirmed that support may still be obtained under “optional” extended maintenance until the end of 2030.

Mark Morley, director of product marketing at OpenText, flags the forthcoming retirement of SAP ERP Central Component (SAP ECC) ERP system as a

potentially highly significant event for CPOs.

“Procurement teams will be coming up against a brick wall up until 2027. They are going to be forced to move away from their on-premise SAP system that they’ve been using for the last 20 years. That is a huge change that they have got to embrace, and it’s going to force them to move to the cloud,” Morley says.

“So, before a company can move and use S4/HANA [SAP’s latest enterprise platform], for example, every one of those back-end integrations has to be reworked.”

“The cloud has liberated the constraints such that organisations don’t need an enormous in-house infrastructure. The barriers to entry have eased within the corporate IT space, and this has enabled an enormous number of new providers to enter the market. Procurement organisations can tap into much more advanced capabilities for specialist functions – for example, in areas such as tendering and e-auctions. These solutions can be tested more or less risk-free,” he says.

“If they are successful, they can then be adopted. If not, the organisation can look at alternatives. The risk of testing these solutions is far less than the risk of changing an ERP system – procurement can experiment with a system, learn from it and either deploy it or move on to the next solution.”

Webb points to a 2021 APAC roundtable of CEOs, held in Hong Kong, where 100% of attendees indicated they are currently moving to a best-of-breed model.

GRAND UNIFICATION

To facilitate the successful integration of systems and data across these hybrid infrastructures, Harb says the key is to focus on the application or service that an organisation selects to provide the integration between on-premise and cloud applications. He stresses the advantages of selecting a unified integration platform from an expert partner to underpin this process.



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“Managed cloud services allow companies to focus resources on leveraging the data while leaving the service provider to focus on ensuring the platforms and people are connected as needed,” he says.

“Ideally, to address the likely requirements for change and flexibility, integration should occur on a unified platform. As a minimum, a platform needs to be scalable and offer business continuity performance, any-to-any integration that has all the possible protocols and standards that you may need, visibility, and data analytics to enable quick decisions,” Harb adds.

Echoing this view, OpenText’s Morley goes on to stress the value of deploying an underlying unified integration platform to support procurement digitisation across best-of-breed cloud and on-premises procurement technology portfolios

“The unified integration platform is fundamental. Like a utility provider has the infrastructure to deliver gas, water or electricity to connect to consumers’ houses or offices, our unified integration platform provides the pipework to allow information to flow seamlessly from the external supply chain into internal business applications, wherever they may be. It is essentially a digital backbone or a digital foundation that underpins all of the business’s applications, and allows organisations to seamlessly connect across internal systems and the external trading partner community.” ■



Action points

There are four key areas of thinking that an organisation needs to consider ahead of migrating to a best-of-breed procurement technology portfolio, says George Harb, regional VP of APAC at OpenText

1

Data migration: How much of the existing data should be moved to the new system? Having a clear view of which data needs to be migrated helps in designing the migration flow. But attached to that, organisations need to understand how existing applications are going to work with new enterprise resource planning platforms. How can the systems be enabled to communicate with each other no matter whether they are still on-premise or have been moved to the cloud?



3

Look ahead: Organisations should consider how they will optimise future integration operations. The transitions likely open a business case for broader modernisation, which is an opportunity that should not be missed.



2

Assess the present and next state: Look at current integrations and how these applications need to be redeveloped for the new environment while maintaining business continuity.



4

Understand the company's needs before picking a partner: Ensure that the business has a clear plan of what systems and data need integration. The security, data risk and potential future needs would be understood and then apply these requirements to match with vendors that can address these challenges.

ABOUT OUR PARTNER

OpenText™ Business Network provides a premier cloud platform that securely connects data with people, systems and things. Currently, it is the only single unified platform that acts as a digital foundation for your B2B, data and application integration. Leverage on our unified platform to interconnect your enterprise applications and exchange information securely to your external B2B ecosystem.

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