



National Grid

Transmits Procurement to the Cloud with SAP Ariba Solutions

by **Natalie Miller**, Features Editor

National Grid, one of the largest investor-owned energy companies in the world, is an international electricity and gas company with a US territory that covers Massachusetts, New York, and Rhode Island. The company boasts a strong, longstanding commitment to energy efficiency, as evident by its many programs and rebates that support energy-saving initiatives, and it recently stepped up its back-office efficiency as well with a move to an integrated, cloud-based procurement system.

The catalyst for this change was National Grid's transition in October 2012 to SAP ERP. The go-live for this US-based project also included integration with SAP Supplier Relationship Management (SAP SRM), which was delivered to 600 vendors through SAP Supplier Self Services, an on-premise supplier enablement portal in SAP SRM.

"National Grid had a goal to increase its electronic transactions to 1,000 suppliers, but after reaching 750, the system began to encounter transactional issues and suppliers began to back out due to functionality and performance problems," says Mark Paparelli, Director of Procurement at National Grid.

The company brought its vendor number back down to 600 and searched for a new solution. Meanwhile, National Grid had already been investigating cloud solutions for their ability to reduce license, infrastructure, and maintenance costs. Therefore, a move to the cloud in the procurement space made sense to rectify



At a Glance

Goals: Replace non scalable, heterogeneous, on-premise procurement system with an integrated, cloud-based platform that supports supplier growth plans and improves supply chain collaboration

Strategy: Implemented SAP Ariba Network, a cloud-based business-to-business (B2B) sourcing and procurement marketplace, and SAP Ariba Procurement Content to consolidate its internal and external catalogue system

Outcome: The company can now collaborate and transact with suppliers seamlessly and more easily onboard new suppliers, enhancing the internal customer experience; catalog quality has improved with a large number of images enriching the buying experience; the previous environment is targeted to be retired in the next few months

the scalability issue, but it was important for the company not to replace the entire system and lose return on investment. National Grid chose SAP Ariba Network, a cloud-based, business-to-business (B2B) sourcing and procurement marketplace, and SAP Ariba Procurement Content, SAP Ariba's procurement catalogue, to work in tandem with SAP ERP and SAP SRM.

Paparelli adds that when National Grid went live with SAP Ariba solutions in November 2015, the business was down to 448 suppliers. "We would not have been able to hit our vendor goal having to scale back," he says. At the same time, it was counterproductive to invest in onboarding those suppliers that were then getting dropped. It also meant an increased workload for the accounts payable department and a decline in the supplier experience.

"We want to be able to convince suppliers that it's good to work with National Grid and that we have an easy process," he adds. "So we needed to make a change."

On the catalogue side of things, having both internal and external catalogues meant customers would have to look in two different places when searching for an item — which deterred many from using the catalogues at all. Furthermore, since the previous catalogues were outside of the SAP environment, it created extra work for the National Grid team to manage. Therefore, the company decided to implement a single, unified solution and move the catalogue information for the US onto the SAP Ariba Procurement Content solution. This also proved a more economical move since they were already paying the license fees as part of the program.

The SAP Ariba Network implementation of National Grid's suppliers was to follow a wave approach, with 11 suppliers going live in the first wave, then four more waves with 100-plus suppliers going live in each stage. "Once we are done with wave four, we will be able to remove all suppliers from our old system and decommission it," says Paparelli. For SAP Ariba Procurement

Content, the strategy is to follow a big-bang approach, migrating the entire catalogue all at once.

Working Together

With 20 full-time National Grid employees dedicated to the project, the business also looked to external partners to help facilitate the SAP Ariba implementation, including Deloitte. According to Paparelli, it was important to have everyone incorporated into the National Grid project model to ensure the success of this single, unified solution. That meant coming together from planning, all the way through to design, testing, and implementation. "Getting that structured was a challenge. Yet we were able to do that, and it then became ultimately our success," he says. "A unique aspect of the project was how Deloitte, as the primary implementation partner, was able to come in and professionally manage the partners and subcontractors and be successful." (For more information about Deloitte's integral role in the project, refer to the sidebar at the end of the article.)

Another unique aspect of the implementation was that information systems (IS) was supporting the vision of the business rather than the other way around. "The fact that it was a business-led, technology-enabled project made this successful," Paparelli says.

The implementation also required developing new functionality for procurement that National Grid wanted to then apply to its entire business — both services and materials. There were several integration points with SAP Ariba Network that were brand new to integrating with SAP SRM, but through the efforts of the entire team, each point was met and the solution was built functioning properly. The team embarked on a first-of-its-kind project to build five brand-new interfaces between SAP Ariba Network and the company's SAP SRM application to connect the systems in the most optimal way for National Grid.

Due to all the first-time customization, there was also extensive testing — about three months of integration and regression testing — for this project as well.

Heading into the Cloud

Moving from on premise to the cloud was a new concept for National Grid and a culture change for IS, but the potential for a constantly up-to-date system propelled the team forward. This was a huge value-add for the company because of the constant changes — monthly drops, quarterly upgrades, and yearly revisions — to the system. With the cloud, the system is always current without the need for a full implementation that disrupts the system.

A new team was created at National Grid to review the system changes as they occur. The team members evaluate the changes and then determine what functionality should be turned on and what shouldn't. "When we get monthly and quarterly updates, the team determines what we need to do internally to assure that it doesn't impact our environment," says Paparelli. "We've developed different testing around that process, and it's improved our governance on how we adopt things and change our systems."

The other benefit National Grid has seen from the cloud is that most suppliers are already familiar with the system. "If they're already on SAP Ariba Network, we don't have to train them," he says. "They understand the process. It's the same for all companies, maybe with a few exceptions, but they all know how to use it. If our suppliers use SAP Ariba Network for one client, they can go in and use it for others. It's a consistent platform, and I think we benefitted from that."

It required an effort to convince some suppliers to agree to the cloud because it costs money to participate, according to Paparelli. "We had to negotiate with every supplier prior to moving to SAP Ariba Network and help them to fully understand the benefits of the cloud," he says. "But that initial resistance will change as more companies in the Northeast start to implement SAP Ariba solutions."

A move to the cloud also raised security questions for National Grid at the onset because of the regulatory nature of the business as well as the sensitivity of vendor information and pricing. Going through the process of evaluating digital risk and security (DRS) was another uncharted territory for the company, and by working closely with SAP Ariba and Deloitte, National Grid was able to answer all their questions and move forward.

"We were one of the first groups in the company to venture out to cloud software on a portfolio that includes financials, purchase orders, and payments," says Paparelli. "This has opened the door where DRS has adapted and changed the way National Grid looks at cloud technology for the future."

National Grid

Headquarters: Waltham, Massachusetts

Industry: Gas and electric utilities

Employees: 28,000 total employees both in the US and UK

Revenue: \$22,101 million (2009/2010)

Company details:

- Owns the high-voltage electricity transmission system in England and Wales and operates the system across Great Britain
- Operates over 9,000 miles (14,000 km) of electricity transmission in the US and delivers electricity and natural gas to areas of the Northeastern states of Massachusetts, New York, and Rhode Island
- Serves over 3.4 million US customers with electrical power and 3.6 million US customers with natural gas
- www.nationalgridus.com

SAP solutions:

- SAP ERP
- SAP SRM
- SAP Ariba Network
- SAP Ariba Procurement Content



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Deloitte Helps Light the Way for National Grid's Transformation

To drive its cloud-centric transformation of procurement, National Grid turned to consulting partner Deloitte for critical guidance through the challenges of transformation. Central to the working relationship: transparency from the outset.

"One reason why National Grid was successful was Deloitte's transparency," says Mark Paparelli, Director of Procurement at National Grid. "Also, from a value standpoint, Deloitte didn't come in trying to lowball and win the business. They came in with a proposal that was a total cost to do everything in the program."

That attention on transparency from the start helped bring results sharply into focus for the project. "When Deloitte came on board to start working, they met every single milestone and delivery without any quality issues," says Paparelli.

Deloitte's ability to present well-defined recommendations, not just a list of options, helped define a clear path to results. And moving forward, Deloitte's ability to build relationships in key areas — while leveraging systems integration know-how as well as industry-relevant experience — helped keep the project on track while embedding accountability. "And on a project like this, if you don't have accountability in one place, in one company, you'll never succeed," Paparelli says. "And by having that structure and the right people here, we were successful."

For more information, visit: www.deloitte.com/SAP

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Company-Wide Benefits

In addition to almost all suppliers now being on the same network, improving training, and increasing the supplier experience, National Grid has also improved supply chain transactions with faster data. "We have gone from a 10-50% error rate down to less than half a percent," says Paparelli. "And it all goes back to the user, supplier, and customer experience."

National Grid has also doubled the number of its catalogue transactions and enhanced the customer experience by updating all the catalogue items and adding pictures. A new cross-catalogue search functionality was created so users can search one place for an item, whether its internal or external materials or services. The catalogue now mirrors an Internet search. "We promised users an Amazon-like experience, and we've seen them start to use it — and the feedback has been very positive," Paparelli says. "We took a pain point from our internal customers on the catalogue and turned that around to a positive experience," he says. "Since go-live, we have doubled the number of our catalogue transactions in a three-month period. We have 75 catalogues now up and running on the network."

This is in large part due to the increased quality of the customer experience. "We've gotten buy-in from the company because it's changing what they had seen as a very difficult procurement process," he continues. "So it's also changing the perception of procurement. This has started our journey in terms of being able to use our system and get the value out of it."

With simpler processes, the company has also been able to move labor from focusing on tasks like corrections to performing enhancements like process improvements. "That, to me, is one of the biggest benefits," Paparelli says. "Now, more of our people have time to spend on value-added activities versus workarounds and repeating tasks three or four times."

The success of this project has also had a ripple effect across the company in terms of its roadmap. All the clean-up done over the last two years to get the system stable, the reduced cost of maintenance, and the more standardized processes across the supply chain have now transformed how the company views getting projects like this done. This change means moving away from a structured, 12-15-month implementation toward a more agile approach that is quicker and more efficient.

"Just doing this work is also changing how we look at programs, implement them, and continue to improve them, while getting a better return on our investment," says Paparelli. With this new confidence to move forward, National Grid is ramping up for other projects and programs leveraging cloud technology. ■