

IBM



Powering the future with sustainable energy

Iberdrola builds greener, more efficient
supplier relationships with support from
IBM and SAP

IBM Global Business Services

5-minute read

Leading climate scientists, governments and international organizations like the United Nations recognize that we are heading towards a climate emergency. To avoid irreversible ecological damage, experts warn that humankind must act fast to prevent a dangerous rise in global temperatures.

Switching to renewable energy sources is a key weapon in the battle against climate change, and Iberdrola is at the forefront of the revolution. Serving over 100 million customers in countries across Europe, the US, Brazil, Australia and Mexico, Iberdrola plays a



leading role in helping businesses and communities to build a greener, more sustainable future for all.

Ramón Zumárraga, Director of Purchasing Services at Iberdrola, explains: “Sustainability is in our DNA. That’s why we’ve made it our mission to provide affordable, clean energy

to as many people as we possibly can, while ensuring that our business model is environmentally sustainable, competitive and profitable. Building on our commitment to reach carbon neutrality by 2030 in Europe and 2050 globally, we want all our suppliers to join us in taking active steps to prevent climate change—and embracing

innovative technologies will help us to achieve this target.”

Iberdrola set the ambitious goal of ensuring that 70% of its core suppliers have put in place effective sustainable development policies and standards by the year 2022. To achieve this, the company looked for ways to improve its supplier relationships, monitor and measure progress, and make smarter, more-efficient purchasing decisions.

“For many years, we relied on a highly customized on-premises supplier relationship management system,” Zumárraga continues, “but maintaining and managing the supporting infrastructure was becoming increasingly expensive and time-intensive.”

In addition, the supplier relationship management (SRM) solution offered limited governance features for company-wide purchasing and, most

To help all business units buy with confidence, Iberdrola will create over

200

catalogs of products and services

Iberdrola spends EUR

15 billion

on products and services using SAP Ariba

Iberdrola dramatically reduces

IT spend

by eliminating on-premises IT maintenance costs

importantly, provided no capability to assess new and existing suppliers against sustainability criteria.

“Our existing SRM platform was so difficult to update that we were unable to keep it up to speed with the increasing requirements of our own procurement process,” comments Zumárraga. “This made it necessary for some internal processes to be carried out manually by email. Given the acceleration of new requirements and our own strong commitment to sustainability, continuing to conduct these processes in such a non-standard way could have led to us not meeting our ambitious environmental, social and governance targets. Equally, handling procurement processes manually could have also increased the risk of our teams settling contracts that would contravene internal policies on cybersecurity or labor risk.”

“With IBM and SAP at our side, we are even better placed to play a key part in building a more sustainable world for future generations.”

Ramón Zumárraga, Director of Purchasing Services, Iberdrola

Harnessing the power of cloud computing

To increase procurement efficiency and boost purchasing governance, Iberdrola chose to retire its on-premises SRM system and move to all-cloud [SAP® Ariba®](#) solutions.

Referred to internally within Iberdrola as “IBuy,” SAP Ariba will equip the company’s purchasing teams with a full suite of procurement and supply chain management solutions hosted in an SAP cloud environment.

Imanol Barquin, Responsible for Digital Transformation and Processes in Procurement and Project Director of the SAP Ariba Implementation at Iberdrola, says: “We considered a variety of SRM



solutions and SAP Ariba stood in a league of its own, due to its flexibility, capability and scalability. The fact that we could easily integrate SAP Ariba with our existing SAP ERP solution was a huge plus too, as it would make it much easier for us integrate procurement with core business processes, such as capacity and resource planning, finances and more.”

Zumárraga adds: “With SAP Ariba we could retain the sophisticated features of our existing on-premises solution, and gain the ability to add new features and functionality. We were especially impressed with the fact that SAP Ariba would help us to design guided buying protocols and enhanced reporting, while also supporting API connections with third-party tools, such as our supplier sustainability scoring solution.

“The SAP team went the extra mile to make sure that we could make the most



of third-party integrations available in SAP Ariba. For instance, the SAP team helped us to easily integrate a supplier sustainability scoring solution with SAP Ariba and supported us with configuring it to our unique needs.”

To ensure best-practice during the implementation of SAP Ariba, Iberdrola enlisted the support of [IBM Services](#)[®]. Taking advantage of templates generated by IBM from successful SAP

Ariba deployments at other global companies, the combined team designed a prototype of Iberdrola’s new SAP Ariba environment and configured the solution step-by-step following a carefully planned waterfall methodology.

“As one of SAP’s long-term strategic partners, we knew that IBM had the expertise and the experience required to ensure that we could complete

the move to SAP Ariba quickly and effectively,” says Barquin. “With its extensive portfolio of successful SAP Ariba implementations and serious interest in helping Iberdrola transform its procurement operations, IBM stood apart from all other service providers that we considered working with.”

He continues: “IBM offered the most competitive proposal and their team did an excellent job explaining how we could optimize our migration to SAP Ariba and work through the complexities of moving from an on-

premises solution to a cloud-based platform. IBM supported us every step of the way, and we were pleased to see that senior members of the IBM team were fully committed to making sure this project ran smoothly and successfully.”

After designing and testing a prototype version of SAP Ariba and customizing the templates used for the implementation to Iberdrola’s needs, IBM helped the company to deploy the SAP Ariba Source-to-Contract module, which would give procurement teams a

fully digitized and automated solution for creating, managing and executing new and existing contracts. Following this, IBM configured SAP Ariba Procure-to-Order to support guided buying within Iberdrola’s procurement teams and across the wider organization.

“Thanks to outstanding support from IBM, we successfully migrated our legacy SRM solution—which contained 20 years of in-house custom development Zumárraga continues to SAP Ariba in under a year,” explains Zumárraga.

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Building smarter, more sustainable procurement processes

Moving its procurement processes to SAP Ariba has enabled Iberdrola to reduce the risk associated with supplier spend and boost procurement efficiency. Today, Iberdrola runs over 9,000 sourcing projects and manages relationships with more than 20,000 suppliers using SAP Ariba. Already, 4,000 users regularly engage with the solution—a figure that is expected to grow as Iberdrola rolls out SAP Ariba across more business units.

Barquin comments: “SAP Ariba will help us reduce the risk of Iberdrola employees overspending or making purchases with unvetted suppliers. We will achieve this by using SAP Ariba



to build guided buying protocols and by creating catalogs of pre-approved products and services from our suppliers—a capability that we didn't have with our previous solution. So far, we've rolled out new catalogs and guided buying for our IT department, and we plan to launch a further 200 catalogs for all other departments within Iberdrola.”

With guided buying protocols and catalogs of pre-approved products and services, Iberdrola can ensure that each department makes purchases at a unified price, and according to the correct contract conditions. This new feature also provides the company with detailed data on all purchases, fees and contract terms—information that Iberdrola can use to strike even more cost-effective supplier agreements in the future.

Zumárraga adds: “Because all our procurement contracts are now



conducted in SAP Ariba, we've eliminated the need for our procurement teams to finalize agreements via email. The intuitive user interface of SAP Ariba helps our procurement department to work more efficiently and provides our team of over 250 buyers with much more detailed data to drive

even smarter purchasing decisions. What's more, using SAP Ariba ensures that best-practice is baked into all of our procurement and purchasing decisions.”

He continues: “By embracing SAP cloud technology to support our procurement activities, we've gained

much more flexibility and scalability, while also freeing Iberdrola from the cost and maintenance burden of running on-premises systems. Assisted by IBM, the move to a SaaS procurement solution alone has helped us to achieve significant savings, and we hope to see further improvements as we work to continue increasing the efficiency of our procurement activities.”

Leveraging the API-connectivity of SAP Ariba, Iberdrola worked with IBM to implement a third-party solution that helps the company score suppliers on their commitment to sustainability and responsible corporate governance.

“Integrating SAP Ariba with our supplier sustainability scoring tool gives us a detailed view of the

environmental impact of our supply chain,” explains Zumárraga. “Using this information, we can make sure that all of our suppliers are as equally committed to environmental sustainability as we are, and that they stay on track to meet our 2022 target.”

He continues: “For suppliers that don’t meet our sustainability objectives initially, we will use our scoring tool to provide them with a clear set of actions they can take to improve the sustainability of their business model. This way we can incentivize positive change, not just within Iberdrola but across the energy sector as a whole.”

Looking ahead, Iberdrola is exploring the possibility of using [IBM Watson®](#) technology to conduct detailed tail-spend analysis to unlock new savings, and has completed a proof of

concept for its UK operations. Using IBM Watson and related IBM AI capabilities, Iberdrola has identified the potential for significant additional procurement savings. Similarly, the company is working with IBM to discover how it can further increase efficiency across its supply chain by expanding the use of robotic process automation in SAP Ariba, removing manual work and increasing efficiency across its procurement processes.

Zumárraga concludes: “We’re looking forward to deepening our partnership with IBM and SAP as we double-down on our commitment to providing affordable and clean energy to more people across the globe. With IBM and SAP at our side, we are even better placed to play a key part in building a more sustainable world for future generations.”



About Iberdrola

Iberdrola (external link) is a leading global energy supplier—the third-largest by market capitalization in the world and the leader in renewables. The group supplies energy to over 100 million people in dozens of countries and has renewable, grid and commercial activities in Europe, the US, Brazil, Mexico and Australia, while also counting markets in Japan, Ireland, Sweden and Poland as major growth areas.

Solution components

- IBM Services®
- SAP® Ariba®



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